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A Study of the Bihar State Industrial Development Corporation

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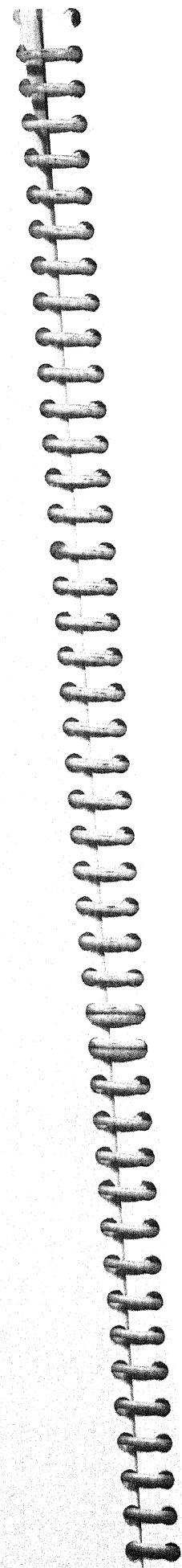
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Preface:

A study of the Bihar State Industrial Development Corporation was undertaken as a consulting assignment by a team of faculty members from the Indian Institute of Public Administration, New Delhi. The team comprised of Dr. K.L. Handa, Shri J.C. Kapur and Shri Raj Nandy.

Some issues for study had earlier been identified in a preliminary report which was submitted to the Corporation before starting work on the final report. In accordance with the major concern as indicated by the BSIDC authorities this final report focuses on study of matters primarily falling within the areas of organization structure, personnel management, financial management, and management information system.

The consultants are extremely grateful to Shri R.K. Sinha, former Chairman-cum-Managing Director of the Corporation for the facilities and cooperation extended by him for the successful completion of the study. The team highly benefitted by the fruitful discussions it had with him on various occasions. The consultants also acknowledge their debt of gratitude to Shri G.M. Sahai, Technical Adviser at Headquarters, General Managers of High Tension Insulators Factory, Ranchi, Electrical Equipment Factory, Ranchi, Sp

Silk Mills, Bhagalpur, Bihar State Superphosphate Factory, Sindri, Other Officers and staff of the headquarters and of the Factories, and authorities of Scooter Project at Fatwah, for the help and cooperation extended by them in conducting this study. The consultants would also like to take this opportunity to convey their best compliments to the present Chairman-cum-Managing Director of the Corporation, Shri L. Dayal, and cherish full hope to get further cooperation from the Corporation under his dynamic and able leadership.

The consultants consider it a pleasant task to place on record their deep sense of gratitude towards the Director of the Institute, Shri T.N. Chaturvedi, who has been a constant source of help and encouragement to the team in completing the consulting project. He has been an important source of inspiration to facilitate the work of the team.

## CHAPTER - I

### INTRODUCTORY

The Bihar State Industrial Development Corporation was incorporated during 1960 under the Companies Act, 1956. The objectives with which the Corporation has been set up include: "to promote, establish and execute industries, projects or enterprises for manufacture and production of plant, machinery tools, implements, materials, substances, goods or things of any description which in the opinion of the Company are likely to promote or advance the industrial development of Bihar."\* These also include, "to aid, assist and finance any industrial undertaking, project or enterprise, whether owned or run by Government, statutory body, private company, firm or individual with capital, credit, means or resources for prosecution of its work and business."

The Corporation was also required to acquire and take over as a going concern the business then being carried on at Sindri by the Bihar Government Superphosphate Factory. It had also been handed over the High Tension Insulator Proj at Ranchi. Initially started as a departmental project by

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\* Memorandum and Articles of Association of Bihar State Industrial Development Corporation Ltd., p.1.

the Industries Department of the State Government, the High Tension Insulator Factory was transferred to Bihar State Industrial Development Corporation on 1st May, 1961. In addition to these two units, the Corporation has two more units being directly run and managed under its control, namely, Bihar Spun Silk Mills, Bhagalpur,\* and Electric Equipment Factory, Ranchi. Also, the Corporation has under its control subsidiary companies, namely, Bihar Scooters Ltd., Fatwah, Bihar Paper Mills Ltd., Saharsa (implementation stage). There are also some companies assisted by the Corporation, and others in the joint sector which have received collaboration from the Corporation.

The present report concerns the headquarters organization of the Corporation, and the management of the units being directly run by it under the control of its Board of Directors or as its subsidiary companies. The study is based on visits, observations, and discussion of the Team conducted at the Corporation headquarters in Patna and at the locations of its units and a subsidiary company, namely, Ranchi, Bhagalpur, Sindri, and Fatwah. It is also supported by a good amount of data (in the form of reports, circulars, directives, etc.) collected by the team during its visits to the aforesaid places.

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\* The scheme for setting up of Bihar Spun Mills was sanctioned by the Government of Bihar on 22nd February, 1967.

Organizational Set-up

The Bihar State Industrial Development Corporation is governed by a Board of Directors comprising of a Chairman and other Directors appointed by the Governor. The number of Directors on the Board is determined by the Governor from time to time, which as per the Memorandum of Associations is not to be less than two or more than fifteen. The Governor also makes appointment of Managing Director from among the Directors of the Board. The present positions of Chairman and Managing Director are combined in the same incumbent.

Therefore, the Corporation's organization at the headquarters has a Chairman-cum-Managing Director at the top level of the Management hierarchy. He is assisted by a number of functional Heads each of whom has responsibility in a particular sphere, such as, Technical, Finance, Personnel, and Company Law. Some of the functional Heads are supported in the discharge of their duties by a number of other functionaries. For instance, the Technical Wing headed by Technical Adviser, comprises of a number of Supervising Engineers in the areas of Civil, Mechanical, Jute & Textile Chemical Engineering, etc. Below this level are 'Technical

Officers' and 'Assistant Technical Officers' working in different areas.

As mentioned earlier, the Corporation has been directly managing and controlling a number of manufacturing units, each placed under the charge of a General Manager. These various units of the Corporation are located at places situated far away from the site of the headquarters.

## CHAPTER - II

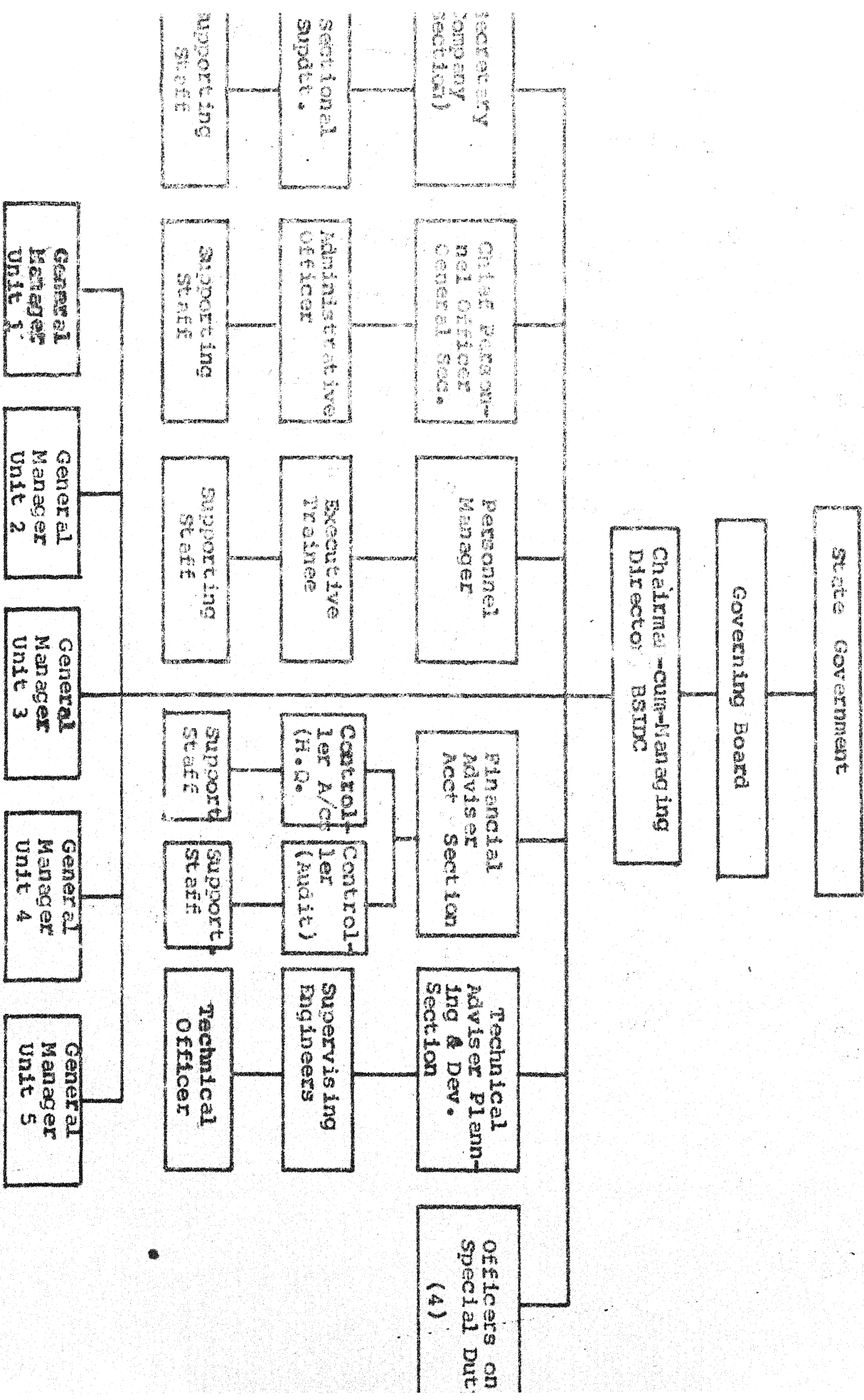
### ORGANIZATION STRUCTURE - PRESENT AND THE PROPOSED

The present organization of the Bihar State Industrial Development Corporation (BSIDC) is shown on the chart on page 8 . The chart exhibits the structure which has been effective almost since the inception of the Corporation.

We would however like to state that so far as the present Structure is concerned our interest here is with the functions/responsibilities of the different sections or positions at the Headquarters or elsewhere and not with the persons occupying the positions now or may occupy in the future.

We would also like to caution against a static view being taken of the proposed Structure. It is impossible to reduce a "living" organization to a "static" chart because in the last resort, any structure or design stands or falls apart by the 'personalities' operating it. All that we propose to do is to present a logical framework. We hope and expect that the Corporation will grow and develop in the time to come and, therefore, suitable modifications will definitely be needed in the proposed structure as and when the Corporation decides to diversify its activities or undertake new ventures.





### Present Structure

As is but natural, being a creation of the Government of Bihar, the Corporation is subject to its policies and control. The Departments that exercise this control, including the strings of the Corporation's purse, are: The Finance Department, the Bureau of Public Enterprises, the Industries Department, and the Cabinet Secretariat.

At the next level is the "Governing Board". The principal tasks of the Board are of laying down broad lines of policy and watching results. There is no formal functional division of responsibility between the members of the Board. Their responsibility is a collective one and all their formal decisions are taken collectively at formal meetings held, as and when convened.

Under the Board is the Chairman-cum-Managing Director who is the highest full-time functionary of the Corporation. His primary responsibility is to translate the Board's policy into actual practice and to ensure efficient working of the Corporation, as a whole, and of its various units, individually. The term of office of the holder of this position is three years.

The principal lines of responsibility and command extend from the Chairman-cum-Managing Director to the General Managers of the five industrial units that exist in different parts of the State, on the one hand, and to the Section Heads and a few Officers on Special Duty at the Headquarters, on the other.

The Sections at the Headquarters are:

1. "Company Section": This Section is headed by a Secretary who deals with all legal problems of a general nature which arise in the work of the Corporation. He also bears responsibility for the preparation of agenda and the minutes of the meetings of the Board.
2. "General Section": This Section is divided into two sub-Sections. One of these is headed by the Chief Personnel Officer. Basically, he maintains the records and information concerning recruitment of staff, promotions, transfers, etc., - functions generally associated with the Establishment Branch in a Government Department.

The actual powers to recruit, promote, transfer and to take disciplinary action are all vested either with the Chairman-cum-Managing Director and/or the Board/State Government. For example, the Chairman-cum-Managing Director is competent to appoint personnel only in posts carrying scale of pay of Rs.455-840, but those in the pay scales of Rs.510-1155, Rs.620-1415, and Rs.1060-1580, the power rests with the Board. For creation and appointments to posts carrying higher scales of pay such as, Rs.1340-1870, Rs. 1950-2150 and Rs. 2050-2450, however, the sanction and approval of the State Government is necessary. In any case, all appointments to posts carrying scales of pay in the range of Rs.510-1155 to Rs.2050-2450 must be screened and recommended by a high-powered Selection Committee, headed by the Chief Secretary to the Government of Bihar (other members of the Committee are: Development Commissioner, Chairman of the Bureau of Public Enterprises, Chairman-cum-Managing Director of the BSIDC, and a representative of the Personnel Department of the Bihar Government).

Recommendations made by this high-powered Selection Committee, must be placed - we were informed - before the Governing Board and, if approved, then forwarded to the Industries Department for final sanction by the Governor of Bihar. The average time taken for the whole process is around six months.

The Chief Personnel Officer also looks after the nomination of selected officers to training programme organized by outside training institutions; the BSID however has no formal training programme of its own.

The present Head of this Section is an Officer on Deputation from the Government of Bihar. He joined the Corporation in April 1978. His predecessor was also a deputationist from the State Government.

The other Section is under the charge of a "Personnel Manager" and has the function of looking after "labour relations". The post is presently vacant and is looked after (at the second tier) by an Executive Trainee.

3. "Accounts Section": This Section has the responsibility for all financial matters, including the Corporation's annual budget. A Financial Adviser, again a deputationist from the State Government, looks after the work in this Section.

Assisting the Financial Adviser in his work are:

- (1) Controller of Accounts (Headquarters), and
- (2) Controller of Accounts (Audit) and as the title of the latter shows, he carries out internal checks on the accounts susceptible to audit.

4. "Planning and Development Wing:" The Section has the services of a heterogeneous group of engineers designated as "Supervising Engineers" in the fields of civil, mechanical, electrical, chemical engineering etc. Below them are the 'Technical Officers', also engineers in different areas. These engineers are primarily concerned with handling new projects undertaken by the Corporation - from the "planning" stage to their "development" or operation. For example

civil engineers would be used to construct factory buildings, mechanical engineers to procure and instal the machinery and chemical engineers to set up the "process" in the newly-established factory. All of them, supervisory engineers as well as the Technical Officers, are under the control of a "Technical Adviser".

5. "Officers on Special Duty": There are four of them, at present. Each is an engineer by profession. Three of them, we were informed, held the positions of General Managers of different Units prior to their transfer to the Headquarters. The Units they were in charge of continued to run into heavy losses. They were subsequently replaced, designated as "Officers on Special Duty" and posted at the Headquarters. Although the nature of the work they are engaged in is not, essentially, different from that of the other engineers in the "Planning & Development Section", but they are not a part of that Section, as such, and like the other Section Heads, report directly to the Chairman-cum-Managing Director.

Relationship between Headquarters and the Units - Major problem areas

The Bihar State Industrial Development Corporation, as already noted, is a multi-Unit Corporation. The Units are physically separated from the Headquarters to such an extent that contact between them and the latter is impeded. Indeed, they are not only separated by a few miles (excepting the Scooter Unit) but in most cases by hundreds of miles.

The three crippled units of the Corporation are: the EEC at Ranchi, the Superphosphate at Sindri, and the Scooter factory at Fatwah. So were the other two (i.e. High Tension at Ranchi and the Spun Silk at Bhagalpur) a couple of years

ago but, happily, they have turned the corner since then, largely due to change of leadership - a prospect which the ~~former~~ Chairman/Managing Director fondly dreamt about for the other three sick units as well.

We visited all the five Units, covering three in our first trip and two in the second. Long interviews with the General Managers of all the Units (successful as also the unsuccessful) and their senior officers (when the GMs were not available) yielded for us a fairly large amount of data to pinpoint the major bottlenecks which appear to inhibit the three sick units from making the much-needed break-through, and the newly-profit-oriented two from achieving their full potential.

Given below are some excerpts from some of these interviews with the General Managers or their senior officers

Team: How do you look upon your assignment as the General Manager of your Unit?

GM : One of substantial responsibility (profitability) of the Unit every year but usually little outright authority.

Team: Would you like to elaborate?

GM : Well, let us first look at the delegation of financial powers which is the weakest point, if I may say so, in the chain that binds us with the Headquarters. We are authorized by them to accept tenders up to a value of say, Rs.20,000 but when you compare it with the

amount required to meet our monthly production targets, say, Rs. 1.5 lakh, it is blushingly low.

Take also the financial powers to award works without inviting tenders. It is presently limited to only Rs. 750/-. With the ever-burgeoning costs of raw materials, you can't even hire the labour for the works, let alone carrying out the whole operation.

Incidentally, it might interest you to know that this limit of Rs. 750/- was fixed almost eighteen years back.

Team: Who decides whether to given an employee a raise or not?

GM : The Headquarters again. We, here, can neither punish a recalcitrant employee nor reward an efficient one.

"That, of course, may be a debatable point and opinions can differ as to where the final power should lie. But, even in simple matters, such as, sending a key officer of the Unit, say, the Sales Manager, out of station to follow up an order with a party or for some other urgent job, the General Manager must first seek permission of the Chairman/Managing Director at the Headquarters. Telephone system being what it is, these things take time. Besides, the allowances paid to the outgoing officials are so poor that the officer concerned views such assignment as a kind of punishment.

"I won't be exaggerating if I call these so-called delegated powers in appointing lower-level employees as more a sham than a reality. For instance, we have the full powers to appoint Class III and IV employees but our hands are tied because the selections must be cleared by a Committee, including a representative from the Headquarters - a process which easily absorbs

40 to 50 days or so. How can you keep the wheels here moving when the "help" you need the very next day takes 1½ months to come", one of the General Managers asked.

The General Managers also complained about the rigidity of certain procedures and the unnecessary emphasis on conformity to them within the Corporation's own rules and procedures. Every bills, no matter however petty it may be, must be signed by the General Manager. So also every letter sent outside. The end-result is that sometimes they get a feeling of being over-burdened, wasting their energies in routine tasks which could best be left to the officers next in command at the Unit.

But, the procedures that hurt them most do not merely exist within the bounds of the BSIDC. There are cumbersome and time-consuming procedures which exist at the interface between the Corporation and the Government departments controlling the Corporation, and which sometimes slow down things and prove very expensive for the Corporation in the end. An example cited was that of a Jeep the purchase of which @ Rs.56,000 had been approved by the Corporation Board in the month of September 1979. According to the laid-down procedures, however, the permission of the Development Commissioner and the Finance Department of the Government of Bihar had to be obtained. By the time permission arrived



(which took about 5 months), the price of the Jeep went up by 7,000 rupees, we were told.

As we probed matters deeper, it came to us as quite a surprise that the Corporation stands overlaid with so much bureaucratic control from government quarters that even an activity like "recruitment and selection of middle-level personnel for the Corporation" is divided and sub-divided into many sub-activities, with most of them located outside the Corporation and controlled by one government agency or the other. For example, the very first step towards recruitment, namely, the drafting of the employment notice for insertion into the newspapers, is handled by the Public Relations Department of the State Government. Once the applications are in, and interviews fixed, the problem is not merely of coordinating the convenience of the highly-placed and exceedingly-busy members of the Selection Committee, but also one of negotiating a long, arduous movement of the 'selected names' through an administrative labyrinth, finally culminating with the Governor's approval. More than often, 5-6 months are lost, and that is enough to impair the initiative of a General Manager if the appointees were being hired for his factory.

Evidence of how long and tardy procedures within the Units can kill the enthusiasm of a progress-minded Manager or

a senior executive as well as make the decisions-arrived-at costly, came to our notice at the EEC Factory at Ranchi. Our reference here is to the 'modus operandi' with respect to inviting and examining tenders by the Purchase Committee of the Unit. We found that the whole operation included as many as eight steps (could easily be minimized) which adversely affected the speed of the operation.

We were also told about the inordinate delays in decision-making at the Headquarters. The delays, it was pointed out, generally occurred at two stages: (1) in the recognition of a problem itself, and (2) in the solution of the problem. The result has always been: unsatisfactory control over profits and losses because every day lost in the delay-process costs money and so does every minute. The example that we would like to cite in this connection is that of the proposal of the Bhagalpur Unit to go in for its own Diesel Generator to offset the loss of productivity rate because of frequent breakdowns in electric supply. The Headquarters, we were informed, took almost one year to 'recognize' the problem and, in the meantime, the price of the Generator shot up. Until the time of our visit, the installation of the proposed Generator was nowhere in sight and, according to the General Manager, "had they got the Generator

in time this year, the profits of the factory could have touched an all-time high figure, say, around Rs.1 crore and 40 lakhs.

We stumbled over a similar problem at Sindri; the delay in their case was that of the replacement of the old plant which had outlived its utility.

Our interviews as well as analysis of the weekly, monthly and annual reports being sent by the Units to the Headquarters revealed that the idea of designing an "information system" for management control and decision-making was almost unknown amongst most of the functionaries who were engaged in the preparation of these reports. They seemed to look upon their task simply as one of tabulating operation; while they at the Units filled out the proformas in a mechanical fashion every week, month or a quarter, those, at the other end, i.e., the Headquarters, simply filed them away. These reports merely emphasized the past or current production figures, rather than paying attention to problems, such as, deterioration in quality or timeliness of raw materials, inadequate cash flow, reduction in market prices, deterioration in work environment at the Unit, or interruption of financing, etc. To our mind, this, again, is a malady which seems to have been injected into the BSIDC system largely

because of the widespread import of governmental 'influences' through appointment to key finance positions of men trained and steeped in government rules and procedures and through them a 'culture' which is totally alien to a "trading" organization.

What did people at the middle-level (such Junior Engineers and as foremen) see their current jobs leading to - the question posed by us invariably brought forth a very depressing picture of their morale, and hopes and aspirations. Most of them feel stuck up and 'suffocating' in their jobs for the past 12 to 14 years. They have almost burning dissatisfaction with the salaries they are given, their promotion prospects, their job titles. We found some of them embittered, while others turned cynical. Those who had nurtured a faint expectation of climbing to the next rung of the hierarchical ladder were only a numbered few.

We discovered, even amongst the General Managers, particularly of the unsuccessful Units, a sense of failure and inertia. But, what baffled us most was that the General Manager of one of the successful unit who had produced profit for the Corporation so 'dramatically' was found making desperate efforts to give recognition for the top management for the outstanding job he had done. The 'recognition' or the 'reward' did not come to him automatically. But, perhaps

what puzzled us most was to hear someone at the Headquarters say: "No incentive should be given to the two General Managers unless all the past losses of the two factories have been wiped out". There couldn't be a better way of killing the "hen that lays golden eggs".

We also came across some senior people at the Headquarters who seem to be spending their time and energies in pursuing "what is good for me, and not what is good for the Corporation" type of philosophy. This is what generally happens in organizations when they are over-staffed.

#### Centralization or Decentralization

The collective impact of all these constraints is that the ability of the General Managers to respond to the ever-changing pressures, internal or external, is impeded and these act as a serious barrier to their effectiveness.

We believe that a cardinal mistake that seems to underlie these constraints is that the top management (this includes the Bureau of Public Enterprises, the Industries Department, the Governing Board, and the Headquarters) seem to mistake "control" with "centralization of decision-making power, close direction and unnecessary long and time-consuming procedures". We discover this when we look at the locus of

decision-making with respect to certain operational decisions which the General Managers have often to make but the power to take them is vested with the Headquarters or the 'management' above. Let us illustrate the point. Suppose the General Manager of the Bhagalpur Unit makes a trip to Bangalore for procurement of raw materials or to Srinagar to sell his product, and he finds himself, all of a sudden, confronted with a sudden spurt in the prices at Bangalore or a slump in demand for his product, he is not sufficiently authorized to take on-the-spot decisions whereby he can either save on his expenditures or his profits by taking advantage of a specific ruling market price. He must come back to Bhagalpur and make another trip - this time to Patna - to talk things over with the Chairman. In all probability, by then, the market situation has undergone further changes and he is out of touch with the realities of the situation. Incidentally, the illustration also shows how for want of certain operational decision-making powers while important bargains are being missed, and the poor General Manager wastes his time in travelling or consulting with Headquarters, the overall costs of the BSIDC are becoming exorbitant.

Such a policy has unfortunately only resulted in increasing losses, not only in terms of money but also in terms of 'low motivation' on the part of the managers.

We believe that such a view of control is the traditional view of "control", imposed from above, rather than stemming from each manager's sense of personal responsibility in his job.

Perhaps the top BSIDC management are reluctant to leave operational decisions to the managers because of insufficient confidence in the ability of the general managers or it has something to do the very values generally built into a typical bureaucratic organization where decisions are always velieved to be best made at the top.

In our opinion, in either case it is not a desirable policy. We are convinced that unless some adjustments in the system of "control" and "decision-making" powers are made, the profitability of the Units will be held back. The Corporation is likely to grow further and as it expands over time, it will become far more difficult for the top management to get and give all the (1) time, (2) energy, and (3) knowledge to take all decisions - policy as well as operational. Moreover, these decisions will become far more frequent and demanding because geographical dispersion of the Units is yet another important factor which sets up pressure for a new look at the present working relationship between the Headquarters and the Units. The costs of communicating details,

of referring decisions, and the ensuing delays will make the matters still worse.

There is yet another reason for a modification in the present centralized decision-making process.

A distinction must be made between a public sector undertaking which is a "trading" undertaking (say, Modern Bakeries of the Government of India or the BSIDC itself) and one that is a "non-trading" undertaking (Income Tax Department or the Post Office). The importance of this distinction is that in the case of a "trading" undertaking there is an easy yardstick of its efficiency - i.e., "financial results". Secondly the Post Office or the Income Tax Department - though also geographically dispersed - is only an agglomeration of thousands of small and big post offices engaged in performing similar tasks. Compare them with a public sector undertaking like the BSIDC, which on the other hand is engaged in a variety of activities - activities which are totally different from each other, have very different environmental forces, as also different manufacturing, purchasing, engineering and sales problems.

#### Delegation at three levels:

Thus, because of this great variety of activity and circumstances, we believe there are compelling reasons for



"decentralization". In other words, authority to take decisions must be delegated to near the 'scene of action' - and this delegation must take place at least at three levels:

- (1) From the Bureau of Enterprise/Department of Industries, Government of Bihar, to Board,
- (2) From the Board to the Chairman-cum-Managing Director of the BSIDC, and
- (3) From the Chairman-cum-Managing Director of the BSIDC to the General Managers of the various Units.

Perhaps the very idea of this three-pronged delegation of powers would sound rather radical, for it might be argued that, in ultimate analysis, it is the State Bureau of Public Enterprises, and the Industries Department who are accountable for the success or failure of all the public undertakings in the State (including the BSIDC), first to the State Cabinet, and then through the Cabinet to the Legislative Assembly. We certainly do not deny this accountability nor do we say that such a view or interest is inappropriate. But, what is missing from such a view or perspective is that an operating manager, when faced with the problems of adapting his production or sales to a rapidly changing market, is not motivated by those government wide considerations but by the singleness of his own purpose, namely, the financial and social success of his Unit and so long the Chairman/Managing Director is not

given, and through him the General Manager, the necessary tools (control over financial, physical, and human resources), he cannot be held accountable for his lapses nor can he ever demonstrate his capabilities. While we do recognize that authorities at the BSIDC must be overseen by the authorities in Government, but must a "trading" organization be subjected to such an excessive, complex institutional control - we are not sure. Such a control has - as is evident - tended to impose a very excessive procedural rigidity on the Chairman/Managing Director as well as the General Manager.

It is apparent that when controls are imposed from the above (authority) on the each lower level but those above are not directly involved in the results-to-be-achieved (responsibility); and, in contrast, when those below have very specific delgation of responsibility (profits) but very little or no decision-making authority, we land ourselves in an administrative situation which gives "authority without responsibility", on the one hand, and "responsibility with authority" on the other - a situation which militates against the universally-accepted principle of management, namely, "responsibility must commensurate with authority".

Indeed, it would be no exaggeration to say that even if all the general managers of the BSIDC Units have all the qualities expected of a good manager, say, competence in his specialized field, decisiveness, dedication, motivation, leadership, etc., to manage their respective Units, but not the authority to do so, the objectives of the BSIDC will never be achieved.

### "Strategic" and "Operational" Decisions

How do we go about overcoming this impasse at the BSIDC? One way by which it can be done is to divide all kinds of decisions affecting the day-to-day running of a Unit into two broad categories: (1) Strategic Decisions - the type involving purchase of new equipment/machinery, diversification into new areas, collaboration with other firms, etc., and (2) Operational Decisions - pertaining to accounting, merchandising, sales promotion, selecting and rewarding the capable, weeding out the undesirable, etc. So far as the "Strategic Decisions" are concerned, they would always be taken at the Headquarters by the Chairman/Managing Director in consultation with the General Manager. But, all "Operational Decisions" will be made by the General Managers without reference to the Headquarters.

### 'Profit Centre'

In short, what we have in view is the adoption of the concept of 'profit centre' and, as envisioned by us, this

concept would be applicable to each Unit. Each General Manager shall act as if he is the "Chairman/Managing Director within his own area of responsibility. He will formulate all the policies of his particular unit within the scope and parameters of the powers implied in these "Operational Decisions". The authority of the general manager shall be absolute and he would be looked upon to exercise his full initiative and ability in developing his Unit to the fullest possible extent and to assume the full responsibility for its success or failure. For example, if he is given the authority to devise his own 'Purchase' or 'Store-keeping' system, the responsibility in the event of its backfiring will also squarely rest on his shoulders. Again, he he wants to deviate from the Headquarters-established accounting system and create his own, he shall be free to do so, but if he flounders he runs the risk of losing business and, so, his face and reputation, if not the job. But, he cannot pass the buck.

Such delegation of powers should permit greater flexibility, i.e., more rapid response to changes at the operating levels because, first, it is the general managers who, more than the Bureau of Public Enterprises, the Industries Department, the Governing Board, and the Chairman-Managing Director who have the detailed market information and other

technical information to make right and rapid decisions, and second they would not have to refer their decisions to the Headquarters - as they have to do now - unless they are of exceptional or "strategic" nature. So long a general manager understands the framework of the "Strategic Decisions" of the Headquarters, he is the best man to make on-the-spot "Operational Decisions".

#### Degree of Decentralization

It is important to remember that at times improper delegation of authority can also be fatal and, therefore, we would not like to recommend a uniform dose of autonomy for each Unit. The Headquarters will have to carefully strike a balance between the needs of centralization and de-centralization vis-a-vis a particular Unit in the light of the following factors:

1. Basic Purpose and Objectives of the Unit;
2. Its size and scale of investment;
3. Volume of output;
4. Knowledge and experience of the General Manager and the abilities of his immediate lieutenants; and
5. Degree of stability or instability of external environmental forces.

### Delegation within Units

Delegation even within each Unit can prove very valuable when 'cost' and 'profit' responsibilities are attached to the Section Heads. The total operations of the Unit can be broken into sub-operations (Degumming, Dressing, Picking, Preparatory Ring-Spinning, Gassing, Reeling, and Oil Spinning in the case of Bhagalpur Unit - to give an example). Once these separate spheres of responsibility and the costs\* of their operations are identified, an effective control system can be applied to provide quick feedback to the management about the quality of their functioning, and corrective measures taken for the particular sub-operation if that is malfunctioning. Such delegation of powers will however again depend upon the skills, knowledge and attitudes of the Section Heads.

In answer to the possible apprehension that the time has not yet come to permit some of the General Managers so much freedom, we would only like to suggest that apart from operational considerations, there are motivational considerations also which speak in favour of decentralization. Empirical studies have shown that most people are willing to give

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\* (a) Time required to perform the indicated operational, (b) cost in terms of raw materials, and (c) direct time, i.e. the real wage rate paid to the individual performing the individual step - and (d) overhead and administrative charges.

more to their jobs when they have a high degree of individual freedom, discretion and control over their work situations. Restrict their autonomy, you destroy their initiative and enterprise. We would certainly like the Headquarters to give a fair trial to all those young, energetic managers who have the potential to show results. Before imposing discipline (control) from above, let the Headquarters test each one of them and see if he is capable of 'self-discipline'. If he is not, then he is not fit to be a General Manager.

#### Considerations leading to Changes in the Present Structure

Goals or objectives, it has been argued, reveal the very character of an organization. Let us, therefore, first of all, have a look at the objectives of the BSIDC:

1. To establish industries in a manner that would bring about regional balance in the State;
2. To generate the maximum possible employment opportunity;
3. To utilize the available mineral, agricultural and other resources of the State;
4. To meet the demand for products not only in Bihar but also in the whole country and even abroad;
5. To run industries set up in the public sector; and,
6. To monitor the working of the industries set up in the Joint Sector.

"Establishing industries so as to maintain regional balance in the State", "Generating maximum possible employment opportunity" - these and other objectives are only the broad, general, "social" purposes of the Corporation. These need to be distinguished from the actual 'operative goals' of the Corporation, i.e., the end-purposes which the Corporation is currently concerned about and is trying to achieve through its actual operating policies. We would like to define the "operative goals" of the Corporation in the words of its ~~ex-~~ Chairman-cum-Managing Director, that is, "To break even, followed by continued growth in earnings".

If that is the specific, operative goal of the Corporation, then it has to be accepted that the Corporation, as a whole, and the individual Units, must be viewed and run as "trading enterprise/s" whose social effectiveness can be evaluated largely in terms of their economic effectiveness. Because, even if the BSIDC is not a 'profit' organization in the sense a private organization, there is no reason that the BSIDC, like a private organization, does not or shall not, in future, face the challenge of survival. Once this is recognized as the primary Corporate goal of the Corporation, it follows that design of the basic structure at the Headquarters, and other operating mechanisms, such as, delegation



of powers to the Units, the budgeting system, the information system, the personnel management system, etc., must be built to accomplish that goal.

### Organization Structures for the Units

Dealing with the Units, first, we have already reasoned elsewhere that in view of the BSIDC being a group of geographically-scattered industrial units, engaged in the manufacture of disparate products, there are compelling reasons for decentralization. Each Unit will serve as a "profit centre", and the General Manager will enjoy freedom to purchase, sell, reward and punish within the broad parameters of "Operational Decisions" but at the same time would be expected to explain and justify all his policies, decisions and actions. The role of the Headquarters would be limited only to strategic planning and decision-making, resource allocation, human resource development, support and advice, etc. We would like to repeat that the intention behind our proposal for decentralization is not to eliminate control of Headquarters or of State Government but to introduce "a new form of control". Right now, neither "control" nor "accountability" is built into the system. When a Unit goes astray, becomes grossly inefficient over time, and shows losses year after year, the usual practice (on the part of the Headquarters) and the expectation (on the part of the

Units) is to increase the budget, pump in more money, and the "Unit never fails". Under the new control system, a General Manager would be clearly told about the expected results, given the requisite freedom to achieve them and, finally, this accountability would be linked to some reward/advancement. When management does not give freedom, nor does it reward results or punish inefficiency, the General Manager's approach would tend towards buck-passing. And, this is precisely what has been happening so far.

So far as the structures of the Units are concerned, our approach is:

1. If there are any structural weaknesses, in a particular Unit, the General Manager should be left free to reorganize and distribute work in accordance with the requirements of the "environment" in which he is operating;
2. Just as we have advocated 'decentralization' from the Headquarters to the Units, the General Managers might also like to experiment with decentralization within their Units, delegate their authority to the Section Heads so that they can get the much-needed respite from the routine tasks and apply their energies to "break-even" management, such as employee motivation (one of the most discussed yet the least understood aspect of management), sales promotion, elimination of wasteful expenditures, etc. But, before they do so, it would be essential for them to know that those who are delegated authority have the potential for meeting the requirements of the task involved;
3. A "Costing Section" is a must for every Unit which would aim at ascertaining or measuring output in

terms of 'per manhour' and 'per invested rupee'. It is hard to suggest a uniform costing method for all the Units. Each Unit would have to work out a costing system, depending upon the nature of the industry, the class of products made, and so on.

4. As already noted, because of the geographical spread of the Units and the long distances that separate them from the Headquarters, making communication and travel prohibitive, it would be wise to permanently assign a Personnel Manager to all those Units which have had a tradition of management-workers problems. The two Units near Ranchi have got them already. Sindri doesn't have one and so needs to be strengthened. Perhaps the Bhagalpur Unit can do without it (at least, for the time being) because it is not a unionized area and as such the workers as yet do not seem to be imbued with militant trade unionism, the kind one finds at Ranchi and Sindri, the two highly industrialized areas. We strongly feel that all these positions be held by young, bright, highly motivated and professionally trained men, preferably behavioural scientists.

As for the powers of the plant personnel managers, we would recommend only "partial decentralization" from the Headquarters. That is to say, certain functions which are basic and common to all the Units, such as, human resource development, morale surveys, etc., will be clustered at the Headquarters.

The major responsibility of the plant personnel manager would be to tune in to plant problems early enough so as to report them to the General Manager and thereby make an effective contribution at his own level before the things get out of control.

He would however be free to seek professional advice from the Personnel Department at the Headquarters. This means that he will have a dotted-line relationship with the Headquarters Department, though for all practical purposes he will report to the Headquarters only through his General Manager (see the figure below:

General  
Manager

Plant  
personal  
manager

Headquarters

5. An analysis of the organizational charts of the different Units shows that there are in some of the Units certain positions which exist on the chart but have either never been filled or have remained vacant for one reason or another. In this connection, may we suggest that all such positions which the past experience of the plant have shown to be redundant be abolished.

#### Proposed Organizational Structure for the Headquarters

The Headquarters of the Corporation, as we have already seen, is made up of five Sections (General, Company Law, Accounts, Planning & Development, etc.), each headed by a different Officer and four Officers-on-Special-Duty - all reporting directly to the Chairman-cum-Managing Director. An examination of the information gathered through interviews and discussions suggests that most of them are acting rather

'water tight' compartments. Amongst some, there is overlapping and fuzziness which has led to not only dividing "activities" (instead of integrating them) but also the "people". There is little or no interaction amongst them, nor there is a feeling of teamness around. Many are on deputation from Government. There are also a few highly-priced people with not much work to do and when one man has only  $\frac{1}{2}$ -a-job to do during a day, a week or a month, he will quite likely fill the other half with gossip, scheming, empire-building and thereby causing a great deal of damage to the organization. Indeed, Considering the large number of deputationists occupying key positions all over (Headquarters and the plants), we get the impression as if the Corporation is not only operating as government department but is actually run by government functionaries. We also sensed a lot of interpersonal frictions and jockeying for important positions. Harrassed by the complexities and pressures of burdensome details which ought to be taken care of somewhere down the hierarchy (lack of 'delegation' or 'talent' around), the Chairman's time and energies are generally devoted to 'fire-fighting'. During our three trips to Patna we often found him running against time; even his immediate subordinate officers have to wait quite often to meet him. On top of all that, there is the constraining web of governmental control in areas where the Chairman ought to have a certain amount

of freedom and flexibility. For instance, if a General Manager has given excellent results, the Chairman cannot show his "recognition" to the 'Achiever' instantly in some concrete manner; he must, first, persuade his Board, and then the Government Departments above, and if it takes a couple of months, which is not quite unusual, the damage to the morale and motivation of the General Manager is already done. Once such a thing has happened a couple of times, the 'Achiever' will quit and the plant might again slide back into its original "red" state.

Our basic idea behind suggesting an organization design for the Headquarters is to provide its Chairman-cum-Managing Director with additional "arms", "ears", "eyes", and "brains" so that he can be freed from the day-to-day operational responsibilities and he finds ample time for reflective thinking and to operate really as an "effective medium of control" in behalf of his Board and the State Government. We would also like to see that only such problems land up at his desk as are not amenable to solutions at the lower levels.

How does the Corporation climb out of such an environment or conditions?

Well, we feel that if it is really serious, then it must be prepared to undergo a little surgery whereby the extra 'fat' that has gathered around it over the time can be chopped off and the Corporate-body can be transformed into a healthy organism.

Recommendations:

To begin with, we would like to recommend that the term of the office of the Chairman-cum-Managing Director be increased from three to five years. We make this recommendation because we feel that three-years are too short a period for any chairman to familiarize himself with the enormity of the tasks he shoulders, to initiate any innovations and to see them to fruition. It is also not possible for the Board or the State Government to arrive at a fair judgement about his contribution to the Corporation's success or failure because by the time he settles down, it is time for him to pack up.

However, if there are any legal hazards in the way, then we would like to recommend the creation of a new position titled "Deputy Managing Director" who will not only serve as one of the many arms, ears, eyes and brains for the Chairman, anticipate his problems and help him surmount

them, but also serve as a bridge or a link between the 'old' and the 'new' as and when a new Chairman takes over.

Rightnow, as reported elsewhere in this Report, the various engineering functions at the Headquarters stand divided into two groups: One, consisting of Supervising Engineers and Technical Officers, directed by a Technical Adviser who reports directly to the Chairman. The other group can be said to exist in the form of four "Officers-on-Special-Duty" - though not an operational group in the strict sense of the term - each representing a different engineering background and reporting directly to the Chairman. There has never been an intergroup understanding between the two, nor has there been in the past a concerted effort to unify them into one centralized Unit. They still continue to work separately, resulting in duplication of effort, lack of coordination, waste of time cause by conflicts of authority and responsibility, and, last but not the least, interpersonal rivalries.

We would suggest that the planning and development function at the Headquarters be centralized under one leader and unified as to (a) its purpose, (b) methods, and (c) controls. Such a step would ensure, inter alia, clearcut assignment of authority and responsibility and avoidance of



duplication of efforts, centralized collection of data and its analysis and thereby carrying in planning and development function to its proper and logical role. Indeed, consolidation of all these almost-similar functions, currently carried out in divorce from each other, would become all the more necessary as the Corporation grows and undertakes planning of new industrial products or services.

We would prefer to name this Section as "SCANNING, PLANNING AND DEVELOPMENT" Division. By the 'scanning' function we mean the role of gathering information that would help the Corporation in finding new areas of business into which to diversify; to examine and predict whether the State needs to invest in a new industry, will the project work out well or will come to rest as a permanent liability (as did the Scooter project at Fatwah). By the 'planning' function we mean the role of securing and evaluating information gathered, analyzing it to determine the present and future needs of the State. And, by the 'development' role we mean the use of available engineering expertise to, finally, execute the approved projects into productive industrial plants.

Another issue that needs to be settled here is: Should the Corporation have its own specialists/experts in every new area of business or industry or should it play a

purely general function and obtain the relevant expertise from outside on an ad hoc basis. Our own view is that, for the time being, the Corporation would do well to hire Consultants from outside to avoid considerable overhead costs.

The Head of the "Scanning, Planning, and Development" Division must be one who has experience in as many engineering fields as possible, such as, chemical, civil, mechanical, etc., or at least have sufficient knowledge of how to use different engineering specialities in planning and development work effectively. As far as possible, he should also be free from biases in favour of his own specialism and should be able to bring to bear upon his job a broad perspective so as to make him fit for the many-faceted job.

As we noted in our preliminary report, the operating nature of the Personnel Section at the Headquarters shows it merely performing what we called as "record-keeping" function. The position of the Sectional Head has always been held by an official on deputation from the Government of Bihar with a background in law and order, revenue administration or establishment matters. In other words, none of them has had any experience of personnel management in the context of an industrial undertaking. No wonder, when such a person is faced with the complex task of conducting unions relations,

of interpreting a whole body of Wage laws and industrial disputes acts, of preparation and presentation of arbitration cases, or of taking an enlightened view of 'labour' as the most precious human resource of the Corporation rather than as a commodity to be bought and used, he has had problems building communication bridges or rapport with the 'personnel' he is supposed to 'manage'. We also felt that the Section does not presently enjoy the right "organizational status"; what to speak of formulating personnel policies for the entire Corporation, it is not given even an advisory role.

In our view, the basic objective of "personnel management" in an industrial and trading organization like the BSIDC, is: To acquire, maintain and retain a productive and creative workforce; and, thereby, make a positive contribution to the profit-making capacity of the Corporation. Such a view demands the establishment of a Division which subscribes to the philosophy of treating 'human resource' and 'profit' (in the social as well as economic sense) as an integral part of its thinking and action.

In the light of the foregoing, we would like to spell out the following broad functions of this Division:

1. Advising the Chairman/Managing Director on the formulation of a sound personnel policy for the Corporation;

2. Concerned with manpower requirements, recruitment, selection, placement, transfers, dismissals, salary scales, employee-benefit schemes, performance appraisal, maintenance of personal files of the employees and an inventory of their skills;
3. Devising training programmes for employees and management development for the Headquarters staff as well as those in the plants;
4. Rendering staff assistance to the Chairman-cum-Managing Director and the General Managers on matters relating to workers grievances, contract negotiations and contract interpretations, and coordinating all labour relations activities; Keeping informed on all State and National Laws relating to personnel;
5. Carrying out 'morale surveys' of employees, from time to time, and give a feedback to management on its policies and practices as perceived and felt by the employees, for suitable modifications/improvements and to keep up to date as far as possible on latest knowledge about motivation techniques, etc;
6. Influencing management people at all levels in carrying out the principles of good personnel management.

Ideally, the Section should be renamed as "Human Resource Division" so as to highlight the significance of the tasks involved. The Head of the Unit should be at least a MBA with training in 'behavioural sciences' and personnel management. Since so much depends on the quality of personnel or human resource and because of the high expense of staffing, it follows that only the best-qualified personnel available should be selected for the position.

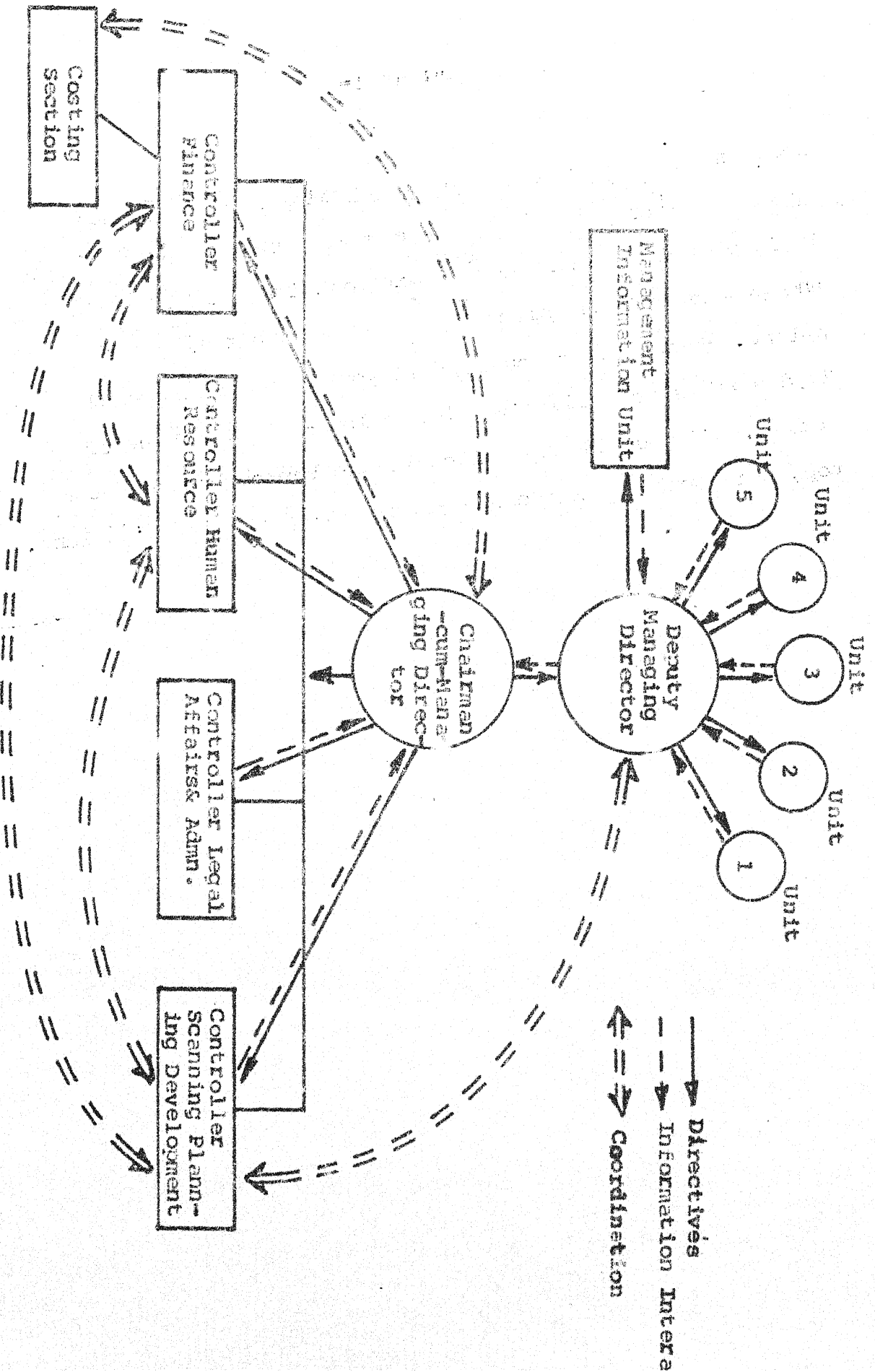
For appointment of 'Personnel Officers' at the Units, only graduates in Psychology or diploma-holders in personnel management with clearly-demonstrated interest and ability in the personnel field should be selected.

We would also like to suggest the creation of a "Management Information Unit", directly under the charge of the Chairman-cum-Managing Director or a Deputy Managing Director (as the case may be). The Unit would be headed an an Economic Analyst whose primary function would be to act as a processor of data flowing from the various plants, feed the senior management at the Headquarters so as to enable them to arrive at the right decisions and operate effectively. For instance, the Unit will attempt to develop accurate, uniform information costs, production, income and so on after the data received from the Units has been carefully and rapidly compiled. The Unit will compare the current and past performance of an individual Unit, of the various 'processes' within it, identify critical weaknesses and then immediately report those abnormalities to the concerned management levels at the Headquarters and through it to the Units concerned.

We would recommend that the strength of the Headquarters staff be as limited as possible. The Headquarters staff would be primarily a scanning-planning,-developing, investing,

coordinating, monitoring and inspectional agency, rather than one involved in the day-to-day operations of the plants. It is very important all the top positions at the Headquarters and of those in the plants are filled with really first-rate talent. Because, if you put all your best brains at the Headquarters you will miss them below - at the scene of action. If you all the talent at the bottom but not at the top, this would mean second-best managing the 'best' talent.

PROPOSED ORGANITONAL DESIGN FOR HEADQUARTERS



## CHAPTER - III

### PERSONNEL MANAGEMENT IN PLANTS

(with special reference to  
labour relations and Incentive plans)

Theoretically, "personnel management" consists of several areas or functions, such as, manpower planning, selection, training, appraisal, compensation methods, and labour relations. But, when we tried to relate it to the specific needs of the plants run by the BSIDC, we discovered that of all those areas the two that seem to have particularly dominated the thinking of workers and management alike in the past and still continue to influence and determine the attitudes and behaviour of each about the other are: Management's view of Workers and vice-versa (labour relations), and Compensation methods (incentive plans and pay scales). It would therefore be only appropriate that because of their potential significance in the scheme of things in the plants that these two vital sectors of "personnel management" receive our special attention. In ultimate analysis, after all, the performance of an enterprise like BSIDC depends much more on its 'labour relations' (and the way they are carried out) and 'incentive plans' (which stimulate higher productivity amongst workers)



than on its technology or pricing policy, or other factors.

### Labour Relations

Good labour relations, in our view, refer to a "mutual desire on the part of labour and management at all levels to work together for common objectives." Parcelling out the 'common objectives' to the two parties involved, we may say that if the objectives for 'labour' consist of efficiency, productivity, and profitability of the plants, for the 'management' these would mean improvement of wages, of working conditions and general well-being of the workers.

Viewed against the background of this definition, let us see what is the record of the various Units of the Corporation? A fleeting glance at the record would be in order here for in no industrial setting the 'present' labour relations can be divorced from their 'past' history.

### Old - fashioned Attitudes and Labour Strife

As we sat through long hours, talking and listening to management, union leaders, individual workers, and middle-lever supervisors, the testimony that came through was: Poor labour relations are of long standing in almost all the BSIDC plants; the record does not really vary much from plant to plant.

Take, for instance, the Electric Equipment plant at Tatisiwal, Ranchi. There has been labour unrest almost since the establishment of the factory in September 1970 (excepting, of course, a short-lived lull in 1975).

Punctuated by go-slow methods, strikes and open warfare between labour and management, the labour unrest reached its crescendo in 1974. We were told that the first general manager of the factory (an ex-military officers) never wanted to be bothered dealing with the workers demands, however just or fair they might be. He is reported to have cold-shouldered the very first demand of the workers (not organized into a union, then) which merely requested him to arrange for better medical facilities for them and their families. Later on, what to speak of recognizing the right of the workers to form a union (despite a ruling of the then Assistant Labour Commissioner to this effect), he viewed the very idea of a union as a kind of menace or evil which must be crushed at all costs. Details of the long drawn-out struggle by the union and the spate of strikes that paralyzed the Electrification Equipment during 1974 and 1976 need not detain us here. Suffice it to say, that a very serious consequence of such an old-fashioned labour philosophy on the part of the previous managements in the plant has been that it left behind a trail of bitterness which not only disrupted discipline

amongst the workers but also dislocated the economy of the plant.

The emotional feelings that separated workers from management whether at the Sindri Plant or in others have been no different in their range and intensity. These have varied only from time to time, depending upon the men who comprised top management and their leadership styles.

#### Wrong Assumptions and Faulty Practices

The successive managements seem to have always seen workers as being hired to carry out certain specific tasks for specific wages paid to them. They also seem to have believed that the workers are, by and large, indifferent, careless and insincere and therefore they must be controlled and forced to work. The meaning of 'discipline' has also been taken 'to punish' and not 'to correct'. We observed that emphasis has generally been on "work-and-profits" rather on "people-and-profits". The personnel managers perceived their roles as of 'policemen' for the management, trying to manage labour relations through command and control. First-line supervisors, like foremen, have never been trusted and allowed to participate in decision-making which might affect the profits of the factory. Nor have they ever been encouraged to serve as channels of communication between the workers and the management.

Indeed, most of the managements even today do not seem to understand the importance of "foremen" as perhaps the most critical group with respect to (a) harmonious industrial relations, and (b) productivity and, thereby, of the profitability of the plants.

Yet, of all the employees in each unit, we found the foremen as perhaps the most depressed lot. Many talked of their career expectations when they first came to work for the BSIDC and now regret having done so. Others do not seem to see "a future at all", stagnating at the maximum of their payscales, and with no hope of promotion, they feel resigned to their present positions. "I do come to the factory every morning to work", one of them said, "but I have really lost all interest in the job"

Generally speaking, workers in all the plants see themselves as underpaid. "A helper in our factory is paid only Rs.276/- p.m. as against about Rs.500/- his counterpart gets in the next-door public sector undertakings like FCI and BCCL" - is how one of the workers at Sindri verbalized his sentiments.

"It is not just the salaries; other benefits here are also fewer", the team was told. For example, benefits, such as 'marriage allowance' which were available to the Secretariat

employees were not available to them - though their payscales were applicable to them.

How did they perceive their supervisors right up to the general managers? The reaction of the workers, by and large (including those at High Tension and at Bhagalpur), was: "cold, impersonal, and inaccessible".

The worker also complained of lack of "safety consciousness" on the part of management. "Come to the Slip House. There is so much dust but nothing has been done about it", was the comment of a worker at High Tension. Workers in the 'de-gumming' section at Bhagalpur too complained of dust.

The only dining hall that had a clean, orderly appearance with its sun-mica top tables was at Bhagalpur. The one at the Electric Equipment presented a very desolate look. Small, inadequate, and cramped with old, shabby tables, it did not even boast of ventilators. In the summer it must be hotter and in the winter 'stuffer'. The dining hall at High Tension is quite imposing so far as its size goes. But, looked neglected, dull and dreary. At Sindri - if we remember all right - they did not even have a designated place for the workers to take their lunch, have a short break or even a smoke.

The problem of "housing" was also repeatedly mentioned by the workers; at some locations for its 'inadequacy', at others for its 'total absence'. At places like Bhagalpur and Sindri, and Tatisiwal the problem is very acute. The workers live with their families under all kind of conditions. We were quite surprised to learn at Sindri that they were paid only Rs.3/- p.m. as house rent allowance.

Medical benefits are not standardized in all the plants. For example if at Bhagalpur, the workers are attended to twice a week by a part-time private doctor and are reimbursed upto Rs.200/- towards medical expenditure, at the Tatisiwal factory they got only an ill-equipped dispensary just at the gate of the factory. The higher-ups, as also at High Tension, are permitted to consult private doctors and are reimbursed full medical expenses. The workers chaffed at this discrimination and were pretty irate about it. We also heard of malpractices on the part of the private physician attached to the Bhagalpur factory.

Workers in all the plants were found to be without any psychological attachment or commitment to their jobs, their superiors or to the organization they worked for. They saw their jobs merely as 'sources of income' and none of them said that he was proud of being an employee of his factory. They felt no sense of loyalty, either.

The personnel section (or , in its absence, those entrusted with personnel work in some of the plants) do not seem to accurately perceive the intensity of the workers feelings about their work environment. Even if there may be the solitary case of one or two such officials, they do not have the authority to initiate and implement personnel or welfare which they consider as important or desirable for the workers' well-being. We also did not come across any evidence to show if in any of the plants the personnel officials had ever carried out any scientific study of a workers' problem, then prepared a report for the management's enlightenment. When asked, whether they are ever sent out to attending training courses, all of them replied in the negative.

Some time was devoted during our interviews to the determination of the workers' perceptions of the styles of Supervision of the officers above the level of foremen. These were termed as 'authoritarian' by workers in most plants. The workers complained of these supervisors talking to them in a condescending manner.

All these problems are inter-related. None of them stands alone. So long as managements are not interested in understanding their workers as feeling, living and thinking 'human beings' but, instead, see them as some abstract thing called 'labour', an atmosphere of distrust and apathy is sure to be built up, and

anti-management unions (rather than pro-management) will continue to be born as outlets for the workers to channelize and give emotional expression to their problems and demands. As a result, today workers and managements in most of the plants are not thinking on the same wavelengths but are operating on different assumptions about each other. Worst of all, no serious attempt has ever been made or is being done now to bridge this psychological separation.

#### Building Better Relations: Some Tools and Techniques

The task of improving labour-management relations in the BSIDC plants is quite sizable. There are plants in which relationship between the two is still characterized by suspicion and conflict and there are others where right now there is a mildly friendly atmosphere. Apparently, the task cannot be accomplished overnight or in a few weeks or months, though it might be somewhat easier in plants of the latter category. It would need sustained, dedicated hard work. Besides, there is no scientifically arrived-at or ready-to-apply formula leading to healthy labour management relations, either. When to yield, when to resist, when to compromise - are matters of careful analysis of a given situation as well as of intuition. However, experiences of hundreds of situations here in India



and abroad in private and public sectors, have been distilled into certain tools and techniques that can also be helpful for the BSIDC management in dealing with their industrial problems.

Priority Number One: Sensitivity to and Introduction of Democratic Process in Industrial Relations

Our investigations showed that while the 'old traditions' of hostility to the 'formation of unions' has died out in all the plants but, somehow, the tradition of hostility to the unions or the workforce, by and large, still continues. Some of the plant managements still seem to think of "labour relations" in terms of a misplaced paternalistic idea of philanthropy whereby occasional sops are thrown to workers in order to win them over. Most seem to be out of touch with the realities of the modern industrial milieu. In this age, trade unions are steadily being accorded greater voice and participation in the management of the plants. In Europe today, for example, the most moderate - repeat 'the most moderate' - union leaders are already talking in terms of a "new economic model" where unions will co-manage, co-direct and co-own the assets. The traditional managerial "freedoms" stand diminished. Even in countries like the U.S. and Japan where managements are usually cautious and cool towards such suggestions, the European experiments with 'work councils' and 'workers Directors' are

being actively considered and debated. We therefore strongly feel that there is an urgent need to increase the sensitivity of the key members of management in all the BSIDC plants to the new developments in industrial management the world over.

We are not however suggesting that the plants go in for "industrial democracy" just because it is the latest style in labour relations in the West. We are not advocating the appointment of workers as Directors or grants of some power to them to take decisions on their own. All we wish to submit is that if all the plant managements want more cooperative working relations with their unions or workers, then they must give serious thought to ways and means by which it is possible to obtain their loyalty and obedience. One of these time tested methods is: to extend a little 'democratic process' in industrial relations, i.e., to increase the participation of labour in management at the "individual" as well as the "group" level. That is to say, that instead of only one or two individuals at the top doing all the thinking and taking all the decisions with respect to shop-floor or other production problems and then telling those below what to do, employees at all the levels should be involved in joint problem-solving. The idea is that when people are simply told what to do, they have no responsibility for what happens. But,

if they have a voice in deciding a particular course of action, part of the responsibility to make a success of it is theirs. This will give all the employees not only a greater sense of belonging and participation but also a greater sense of dignity and recognition of their worth both as individuals and as employees of the Corporation. Studies have shown again and again that a 'participating' worker is an 'involved' worker. And, as he gets more involved in his work, he also becomes more committed to it. But, it is absolutely important that the participation offered is 'genuine' and not 'manipulative', designed to undercut a union or workers demands.

Progressive industrial organizations in Japan and in the Rest have made very effective use of this democratic process by calling what they refer to as "employee mass meetings" at regular intervals for mutual interchange of ideas. These meetings take the form of 'management meetings'

GM speaking to all the workers, or 'supervisory meetings' Senior Engineers talking to the Assistant Engineers and Foreman or Foremen speaking to the workers. Such meetings have been found to be of great help in building bridges, establishing a rapport and demolishing any communication blocks or misunderstandings. BSIDC Managements can use these meetings to place facts (particularly wrongly reported or

wrongly interpreted by the union officials) and to explore employees' reactions to problems of mutual concern. The meetings can also be held to review the performances of the various shops, sections or units to compare their individual performances with "production standards" or against each other.

This is a very simple and inexpensive device but in terms of dividends it is reported to have paid off tremendous gains.

We would however hasten to add that when traditionally-authoritarian management make an attempt to adopt 'participative' style of management, they sometimes find themselves face to face with suspicion and indifference on the part of the workers. But, researches have indicated that such initially-negative reactions are often the result of long bottled-up feelings of animosity towards the management and therefore should not be taken as an evidence of the unworkability of the participative style of management.

A new climate would have to be introduced, a climate based upon a feeling of genuine participation.

#### Priority Number Two: An Overall "Labour Policy"

No enterprise can work to its optimal or maximum effectiveness unless management is clear about its overall

policy towards its labour. The Corporation must, therefore, work out a written statement of such a policy, both as an expression of its beliefs and philosophy about labour as a resource as well as its intent with respect to matters such as, Collective Bargaining/Union Relations, Compensation (Pay and Bonus/Incentives), Working Conditions, Discipline, Grievances, Safety, Hours of Work, etc.

The Policy document would clearly list out (1) rights and responsibilities of management, and (2) rights and responsibilities of unions/workers. This is imperative because if the workers always insisted on imposing on management too high pay demands, they must know that the plant could go bankrupt and their own jobs jeopardized. For management, such a statement would mean that if they believed in denying their workers a square deal in their working and living conditions they should not be surprised to receive, in return, bad morale, low production and strikes.

Although the Corporation would have to work out its own Policy Statements, but the following could serve as illustrations:

"It is desirable that each employee should know at the beginning of his service with this Corporation the principles and practices which the management would always endeavour to observe in its relations with the workers.....

1. Working Conditions

The Corporation believes that good working conditions, in the fullest sense of the term, are absolutely essential in industrial efficiency and progress. A concerted effort would always be made by the Corporation to provide for such conditions for their workers.

2. Employees/Union Cooperation

The success of each plant depends very largely on the whole-hearted cooperation of the workers. The management anticipates such cooperation on the part of everyone in the plants.

3. Pay

The Corporation believes that the average employee cannot be induced into a proper frame of mind unless he receives a fair wage. The Corporation would make periodical investigations in the surrounding localities industries to keep its general wage level at par with others, under similar conditions, for similar work.

4. Collective Bargaining/Union Relations

It would be Corporations policy to deal with properly established representatives of our employees on all matters of mutual interest pertaining to wages, working conditions, etc. The Corporation will negotiate with such representatives in good faith and would live up to - and so would expect the union representatives - both the letter and spirit of any collective bargaining agreement.

The management would strive for the maximum degree of mutual confidence, understanding and respect in its relations with such representatives.

5. Freedom of Discussion with Management

It is the desire of this Corporation that all its employees shall feel free to seek information or advice

form the management on whatever official matter that is troubling them, or to call attention to any condition that may appear to them as inimical to their interests.

6. "Duth Towards 'Employers' "

The people of Bihar are our real masters. Since it is they who under-write our wage bills, our obligations to them demand that we: (a) satisfy ourselves that we do a fair day's work for a fair day's salary, (b) properly maintain and make the best possible use of all machinery, tools and equipment, (c) avoid waste of materials, supplies and manhours, (d) develop new and better methods that will increase production and efficiency, and last but not the least, (e) check at the end of every working day that we are meeting our obligations to the people of Bihar.

Management with a "social" attitude towards labour, and labour with a "responsible" attitude towards management - should be the central theme of this document. If the management takes a 'social' attitude towards its workers or is pro-union, the workers would, in all probability, respond with a "responsible" or pro-management attitude. In case a proof is needed in support of this statement, then Arun Pathak's Award (an ex-Chairman of the Corporation) of 1975 would serve the purpose. The same set of workers at the electric Equipment Plant, it may be recalled, who were so worked up and belligerent before the Award, rose as one man to produce nearly 300 transformers with-in a month (against the total installed capacity of only about 135) to enable the management keep its commitment with a client.

It would also be useful if the Labour Policy document highlights that fact that each BSIDC plant, or part of public sector, is a small "island of socialism" and the philosophy of socialism requires a new set of attitudes and morality. In contrast to a private-sector undertaking which places 'management' and 'labour' in opposite camps, and where collective bargaining generally entails a sort of "adversary" relationship between the two, in a public sector enterprise there is no employer. All, including the top men, are employees (the 'employer' is the people of Bihar. There is thus, no room for arguments as "they" and "thus", for any feudal thinking or attitudes. The interests of the two are so identical that even if a line were to be drawn between those who 'manage' and those who are 'managed', the latter can at best be viewed as yet another extension of the former.

Copies or reprints of this document must be circulated amongst all plant managements and the union representatives. All the GMs and the personnel officers (or those in charge of personnel matters) must make themselves aware with the "letter" as well as "spirit" of this document - not merely the "letter". The principles laid out in the document would serve as guides to actions of management. These would apply in every plant, with no exceptions or deviations, and it is



only within the framework of these principles that the plant managements would formulate their decisions on industrial relations.

Several advantages would occur ~~from~~ this Policy document. From the standpoint of management: It would (a) ensure continuity in the type of management, (b) promote consistency in decision-making, (c) act as a medium of control and coordination and, (d) support the Corporation in arbitration cases. From the standpoint of workers: It would: (a) ensure fair treatment of workers, and (b) involve them as equal partners in the plant operations. Above all, the document would serve as a valueable, educational experience for all plant managements/workers/Unions at all times.

#### Other Remedies

In dealing with the BSIDC workers, the following remedies should also not be lost sight of:

- (1) Employees/union grievancies should never be treated just as a 'routine' activity and the general manager in general, and the personnel manager, in particular must not appear to be indifferent to their problems. The old narrow attitude that took a lackadaisical view of the grievance of a worker or a union must

yield to a more scientific method of management. After all, management does not refuse to give immediate consideration to a 'machine' (dead matter) when it has broken down. Then, why should it refuse to give immediate consideration to an 'employee' (living matter) which is far more precious and expensive than a machine. Disputes, therefore, should not be allowed to reach serious proportions. The measure of a mature management is its ability to view a grievance or problem without bias or emotion and to ensure that the grievance is attended to immediately, much before the workers get embittered by inordinate delays and their feelings aroused to a high pitch. In other words, the time of stop a labour problem is to act before it starts. Thorough investigations, prompt action, just decisions, and a firm stand whereby what is right is immediately conceded and what is wrong is not tolerated - are the best guarantees of a stable labour-management relationship.

Indeed, we would even like to suggest a definite multiple-step procedure, beginning with the initial discussion of a grievance and ending with the final appeal to the highest authority:

Step 1: Should a worker have any grievance, it shall be put in writing and then discussed/considered by the Foreman/Assistant Engineer and the Union Secretary;

Step 2: If the grievance is not redressed within two days, it shall be considered by the Chief Engineer or his equivalent;

Step 3: If it is not resolved within four days, it shall be presented to the General Manager.

Step 4: If it is not adjusted within seven days, the worker/union files an appeal with what we would call the "Standing Labour Advisory Committee", members of which will be: the Chairman-cum-Managing Director of the Corporation, the Headquarters Personnel Manager, the GM and the personnel officer of the plant concerned, and the union representative.

Step 5: The final step is of course arbitration by the outside agencies as provided under the law or the contract with the union.

However, we would like to submit that 'arbitration' is no substitute for a "social" attitude towards the workers. It is always economical in the long run if it is the constant objective of management to settle all labour disputes before they reach

an acute stage.

A well - motivated workforce has been found to be one which feels free to seek redress of their grievances at the first level of supervision & where most such problems are resolved without reference to the higher levels.

2. We did come across "extremists" on the side of the labour.

But, first, there are not many of them. Second, the only way to neutralize their influence is to launch vigorous 'welfare' programmes designed to strengthen workers' sense of economic security. In a poor country like India most workers, whether in fields or factories, are standing at the lowest rung of their need hierarchies, namely, fulfilment of their economic needs. The more money they make, more motivated they are.

A very important tip that we would like to offer to the plant managements is: The workers and their first-line supervisors are very easily satisfied - with only small concessions. Therefore, they should be as liberal as their profits permit. Bonuses are something that we all look forward to and if these are tied to productivity, and kept revising alongwith the profits made, managements would never be disappointed.

3. Solutions to disputes can be found and agreements reached so long as labour and management continue to meet. It is therefore of fundamental importance that doors for negotiations are always kept open. The attitude of management should as far as possible be never belligerent or argumentative. The purpose of negotiations is to arrive at an agreement which will enable both the parties to continue to get along with one another with a minimum of dissatisfaction.

One useful strategy to be adopted while conducting negotiations with labour unions is to always use the term "problem-solving" instead of "discussing demands" or "resolving disputes". For, the very sounding of this term i.e., "problem-solving" is likely to elicit a different emotional response and thereby trigger off a search for 'solutions' rather than start a battle of union rights/demands. Both sides will actively participate in the 'problem-solving' efforts. For example, if the union puts up a demand for increase in wages, instead of meeting such a demand with a negative reply - as usually the case is -, the "problem-solving" approach would focus attention of the two parties on how the additional wage-bill can be fitted into the financial

resources of the factory. Similarly, a union might insist on promotions only on the basis of seniority whereas the management might prefer only 'merit' or 'seniority-cum-merit'. The problem-solving approach in such a situation would involve an answer to the basic question: How much of seniority and merit would ensure the efficiency and profitability of the plant? Thus, when presented as a "problem", rather than as a "demand", each issue is turned into a quest for facts. Emotions are kept out and the strategy contributes to good labour relations.

It is equally important to remember that: (1) there is an honest attempt by the management to solve problems rather than sweep them under the carpet, and (2) the unions must be permitted sufficient information on financial issues to allow a meaningful and frank discussion.

4. As far as possible, the plant managements should try to enter long-term agreements with the Unions. This will help avoid costs of annual negotiations, a more stable environment for planning and implementation and less loss of time (through strikes, go-slow, etc.)

5. We would also urge the plant managements to watch their "status symbols." In a country which is proclaimed as a 'socialist, secular and democratic' society, too many perks and privileges to those at the top, and too much social separation between them and the lower employees can also be at times counter-productive.

There is thus an urgent need to reduce, if not abolish, the distinction between benefits enjoyed by management and those given to the labour. The reduction of these anomalies would bring about substantial improvement in labour-management relations and the workers would truly feel themselves as partners in the enterprise. A sense of pride in the undertaking and a feeling of belonging would follow as soon as there is such an attitudinal change amongst the top men.

6. Medical aid to the workers should not be seen as a philanthropy nor should it be paternalistic. It must be seen as an important function of a progressive, profit-minded management because the quality of medical service not only improves efficiency through healthy personnel, but also raises the image of the plant in the area as a model employer.

Secondly, it is no use trying to run an industrial health programme on a small budget or appropriation. In the end, it neither serves the management nor the workers.

Thirdly, we believe that the scope and coverage of medical services is much larger than that being implemented by the plant managements. It must not merely take care of the physically sick but also be responsible for the environmental conditions within the plant that might be inimical to the health of workers.

The physicians selected should be chosen intelligently for their professional competence in industrial medicine and character.

Our recommendation is that the scope of compensation for health care should be the same for all, irrespective of the status of the employee. The current distinctions should be done away with.

7. Welfare plans should be inaugurated during the days of prosperity of a particular plant (as in the case of High Tension and Spun Silk Unit) and then publicized extensively amongst the workers of those units which are still going through hard times. The objective



of this publicity would be to tell the workers in sick units that if their counterparts at High Tension or at Bhagalpur Unit could produce a profit of 17-18 lakhs a year, they can also make it.

8. The importance attached by the managements to the fringe benefits for workers is fully demonstrated by the subsidized lunches and teas and the provision for free cups of tea for night workers. We would like to suggest that if "now wealthy" units like High Tension subscribe to the principle of efficient manpower management, it should not hesitate to be a bit liberal so as these benefits are concerned. For instance, the management can: (1) brighten up the dull and dreary dining hall and the kitchen with flower-vases and a few paintings, and (2) improve the quality of food served.

9. We would also like to suggest that the Corporation must, once and for all, straighten out the question of scales of pay and the D.A. rates. Labour expects - and rightly so - better treatment in every respect from public sector undertaking than they can expect from private enterprise.

Salary gaps make people frustrated and restless.

By paying them low salaries as compared to workers

in the same area or same industry, the Corporation might be deluding itself that it is saving money. But, what looks "saving" is actually a false feeling of economy. The hidden losses in these savings are: uncommitted workers, output, poor quality and increased waste. On the other hand, comparable pay-scales would attract and retain the right quality of workforce, their interest and loyalty.

10. The need for housing for maintaining an efficient workforce need hardly be emphasized. The issue is no longer whether more houses be provided but how urgently they should be provided.

We recommend that the BSIDC Board of Directors establish in principle that 10 per cent of the total pre-tax profits turned out by a unit will be available to the management of the unit for investment into construction of houses for workers and other staff members, particularly in case of factories that are located away from the residential areas (example: Bhagalpur factory).

11. Another good device to keep the minds of the workers occupied and to improve labour relations is to involve them into various types of welfare work, such as,

running a kindergarden for their children, a volleyball or athletic ground setting up sanitation improvement committee, or management of a cheap provision store.

But it must be clearly understood that the workers shall not take whole-hearted interest in these activities unless some of their other pressing problems, such as payscales, comfortable dining halls, medical aid, etc. are solved to their satisfaction.

### Priority Number Three: Foremen as part of Management

As already noted elsewhere in this report, another very important that appears to have missed the attention of managements in all the BSIDC plants is: the significance of the relationship between workers and their first-line supervisors, namely the Foremen. No matter what is the 'Labour Policy' and however laudatory the principles enounced therein, the reality is that the feelings and attitudes of workers towards their jobs and the plant, as a whole, are greatly influenced by the men who have them in direct control every minute of the working day - that is to say, 'the Foremen'. It is at this 'mid-point' where the management and the managed meet. These are the men who are closest to the immediate producers (workers) and it is they who know their men, their strengths and weaknesses. They represent workers to the

management and management to the workers. From both sides, definite things are expected of them and if they fail to represent either of the two segments of the plant properly, the management as a whole fails. Thus, in our view (and, as has been universally acknowledged), the Foremen constitute the key instrumentality of "personnel management". Indeed, the growth of union-management relations is vitally dependent upon the quality of men selected to be foremen, upon their training (see Section on Training) and upon the degree they are considered as part of management. The earlier this fundamental truth is appreciated by the BSIDC plant managements the better.

There are only two ways to win back the already-embittered Foremen of the BSIDC plants (with some of them already turned cynical): One, Create Selection-grade payscales for all those who are stuck up at the maximum of their scales if promotion to positions above is not possible because there are just not many; Two, delegate some degree of authority to them, depending, upon the nature of tasks they are doing and the men they are controlling (for example, regularization and promotion of all workers under them shall be done only on their recommendation).

It might interest the Corporation to know that a study in the U.S. which was designed to pinpoint the extent of foremen's involvement in management functions has shown that an increasing number of industrial organizations there were trying to widen the authority of foremen in two principal areas: (1) Personnel function (i.e. the foremen were found to be making final decisions on hiring/ firing/training of workers, and (2) Production function (i.e. they are delegated powers to plan production methods, work schedules and setting up of quality control methods.

Besides, management should make it a point to hold fortnightly or monthly meetings to consult the foremen in all such matters where their advice is necessary. Vital information about what goes on in the minds of the workers will automatically flow to the top through them if the management gains their confidence; or else, that information will always be chocked out and cooperation between labour and management will remain an utopian dream. In these meeting would also be discussed the best methods of handling workers as also the methods of encouraging workers to show greater interest in their work.

But, the managements must make sure that the foremen are not to be used as 'spies' but as members of the "plant family"

genuinely interested in the welfare of the workers as well as in the common purposes of the factory.

Current Incentive Practices: Diagnosis and some General Guidelines

(1) High Tension Insulator Factory,  
Nankum, Ranchi

Although trouble with labour had plagued this plant for a number of years in the past, but in April 1979 the old antagonism disappeared. A new general manager then (no. 3 in the hierarchy of the old management) took over and the union made an offer to him: We will accept the year 1979 as a "Production Year" provided the management would assure us of 1980 being treated as "Our Demand Year". As a result of this agreement, an incentive earning plan was worked out under which all employees (white collar as well as blue-collar) are to be paid Rs. 5, 10/-, and 15/- each if the production every month is between 180-190, 190-195 and 195-200 metric tons respectively. Production above 200 metric tons will fetch each worker one rupee for every additional ton (220 metric tons is the total installed capacity of the plant and 180 metric tons was accepted both by the labour and management as the "break-even" point). Since then concrete benefits have

been gained by the two sides (for the workers an increase in their monthly incomes, and for the management high profits) and a new climate of confidence has been fostered. At the time our visit took place, the monthly output stood at 243 metric tons.

### Dissatisfaction

While the structure of incentives, currently in operation, has definitely stirred up the enthusiasm of the employees at the Namkum factory, our interviews with the workers there have, however, revealed under currents of dissatisfaction with this scheme on the part of a good number of workers. Reason:

The management's standards with respect to the payment of incentives under this scheme are established on the basis of 'total production' regardless of the contribution - high or low - of individual workers, or of a team of workers of a shop. For instance, we came across instances of one worker in Pug Mill 1 handling as much as 16 tons of material for a given period of time whereas another worker in Pug Mill-2 giving only 10 to 12 tons. Again, in the "Shapping Shop" we found one particular worker shapping up as many as 135 pieces as

against only 85 by another for the same span of time.

Similarly, there are variations in the outputs of different groups of workers engaged in the same activity during different shifts.

### "Skilled" and "Unskilled"

The incentive plan also does not distinguish between the contribution of a 'skilled' workers and that of an 'unskilled' one. For example, there are jobs in which one skilled worker is supported by five unskilled ones, two in the beginning and three after the job is finished. Yet, the unskilled workers get the same benefit as the skilled one.

### Individual/Team Incentive

Before the motivational effect of the present scheme tappers off on the minds of 'high producers' (individual/team or skilled level) and they gradually disappear amongst the 'low producers', with little interest in their work beyond the desire to keep their jobs, we would suggest that the management seriously think of introducing 'individual and team incentives' as well whereby a motivated worker or team will receive, in addition to the share of monetary rewards under the present collective incentive scheme, benefits in



accordance with individual or group contribution to the total output. The supplementary scheme will not only stimulate competition between the individuals and team, the resulting financial rewards to them would also be a more realistic measurement of their contribution and should provide to the Nankum factory with a substantially greater return than they are getting now.

(2) Electric Equipment Factory, Tatisilwal, Ranchi,

While at High Tension Insulator Factory the state of labour-management relations can be said to have approached near-industrial peace, at the Electric Equipment Factory, however, the industrial relations are still passing through a period of unsettled conditions. The situation is further complicated because of factional fights between two groups of workers, one supporting the officially-recognised union, and the other opposing it. An interesting side of the case is that the union is pro-management and hence is anxious to participate and make a success of the incentive scheme in operation. The incentive plan, on the other hand, is being sabotaged by the other workers, the immediate need, therefore, at this plant is to "sell" the incentive scheme to one-half of the workers who are currently lukewarm to it.

But, an examination of information gathered by us through a large number of interviews with employees of different ranks suggests that the problem at the Tatisilwal factory is not merely one of re-examining the incentive plans and thereby motivating the one-half of workers to participate in it. The problem is much more deeper and serious. It is indeed a crisis of the whole organizational climate, vitiated by long years of mistrust, of innumerable squabbles over D.A. rates, of unsatisfactory working conditions, of low morale at the foremen's & other supervisory level, of deadlocked arguments over many other issues which finally led to costly work-stoppages and so on. Even the union members are not totally motivated by the incentive scheme because its effect is being diminished by other factors in the environment that influence them all the time.

The only means which we can suggest to break this vicious circle is: (a) new leadership, and (b) an open and objective dialogue between the Chairman-cum-Managing Director and the new leadership, on the one hand, and the workers their leaders, on the other. The first aim of this dialogue should be to make the workers and the union representatives understand that the new management is not

the 'old' management in a different disguise, but is fundamentally different, with a new outlook and purpose.

(3) Sindri Plant

Two major problems that seem to beset the Sindri Plant are: (1) old and worn-out machinery in one section of the plant, and (2) absence of goodwill between labour and management. While replacement of the outdated equipment <sup>is</sup> easy and is only a matter of money, but the question of goodwill is one of, first gradually building it up and then retaining it. There is in this unit also, like others, a history of distrust and antagonism between labour and management. In our view, the workers can be made to abandon their defensive and negative attitudes only if there is a change in the style of leadership and the workers are convinced that the management has a feeling of responsibility for their well-being.

The workers brought to the notice of the team a rule which was being used to deny bonus to a segment of workers. We would like to submit that while it is important for managements of losing units to be careful in the employment of money but to be so parsimonious as to deprive a part of workers of their bonus by taking shelter under

some rule can be counter-productive. For, the 'price' of the bonus (hardly a few thousand rupees a year) is nothing for a large corporation like the BSIDC, particularly when compared to the gains that would accrue to it in terms of workers' happiness, loyalty and efficiency.

(4) Scooter Plant, Patwah

The picture at Patwah was one of heavy investments, of drift and ad hoc organizational policies and goals, resulting in partial utilization of the installed machinery, reduced production, losses from trained men who are currently on the payroll. We have no idea, at the time of writing this report, as to what frame of mind the Corporation is in with respect to the future use of this plant. It would therefore, be difficult for us to say anything on incentive plans. It is only after the air of uncertainty that presently surrounds the plant disappears, full (or near-full) production achieved, and the cost per unit of production as compared to the rate of pay per individual worker available, that anything on incentives to the workers there can be recommended.

Bhagalpur Unit

1. Here, although the profits are good and, relatively speaking, more industrial peace than in any other unit, but the workers do have complaints, ranging from small, inexpensive (like supply of 'chana' and 'gur' to workers in the De-gumming Section) to very expensive (such as, provision of housing).

2. At Bhagalpur the workers in the Dressing Section talked of "bad jobs" (1st draft process) and "good jobs" (2nd draft process). Such jobs should be made 'fair and square' so that those doing the hard jobs are duly compensated. They also complained about the authoritarian behaviour of their immediate superiors, of delays on the part of 'Maintenance Section and the Administration Section in attending to breakdowns and processing of payments respectively.

3. All of these complaints were discussed by the team with the management there. The workers may not be very dissatisfied but they could not be said to be motivated either. We believe that with a little imagination the plant management can endeavour to make its workforce far more contented and efficient than what it is right now.

General Guidelines for all plant managements

Whereas the ideal thing would be that the managements in all plants first provide the necessary working and living conditions which will, by themselves, induce the workers to voluntarily offer their best to the Corporation. Employees will do no more than what the working and living conditions given to them encourage and allow. Very often when things go wrong and the employees do not do what they are expected to do, the managements do not remember that they themselves might be withholding the very 'stimuli' without which the employees would not bring about the desirable motivation or behaviour to achieve their tasks. Short of the 'ideal' conditions, the least that the managements can do, under the circumstances they are passing through, is: (a) to continue to motivate and reward through the current monetary incentive schemes, and (b) to try the assortment of incentive schemes, suggested below, to ensure adequate motivation and production levels:

1. The structure of incentives in all the BSIDC plants includes only "material rewards" (which are of course very important) but we feel the Corporation should also initiate a structure of "formalized praise". That is, inside the shop floors, in the administrative block, or even at the entrance of the factory, there should be plaques on the wall (or even

pictures) of these individual workers and teams who have been consistently doing outstanding work.

2. Each factory must not only select all-round "model workers" but also "model-teams". In addition to the material rewards, they must be publicly praised and held up for emulation by others.

In the Soviet Union, "Emulation" is carried out in stages. If a worker shows outstanding results, i.e. <sup>he</sup> not only is the highest producer but also maintains neatness at his work-bench, he gets only the bonus. If he wins three times in succession, he gets a special bonus. But, if he goes on repeating his performance consistently, he gets the title of "Master of Quality", an additional bonus, and a free accommodation-pass to the factory's holiday hotel'.

They also follow a novel method of baptizing a new employee as a "member of the factory family". After a few months of work, a special ceremony is held to mark the admission of the new members. All the employees right from the Manager above to those at the lowest rung, assemble in the factory's hall where one-by-one the new employees are called to the stage, warmly applauded, and the veteran foremen attach the

factory's badge to the lapels of the workers' jackets. They are also presented a set of tools, with their names engraved on them and a book about the factory's history, its productivity and place in the economy of the country. The ceremony comes to end with the screening of a film or music and dancing.

Let us also look at what goes on in Japan:

A 'shift' going on the job applauds the 'shift' leaving the job. The idea being that the shift leaving the plant have done its job well and have produced a high quality product and is therefore **deserving of** applause.

The simple formula behind the success story of industrial relations in Japan is; the management takes care of the workers and the workers take care of (the factory, besides of course, decision reached) through 'consensus' of all concerned.

Such a system of 'formalized praise' can be straight-way started in factories which are currently running into losses and where chances of promotion are less common and low salaries provide less of a work-incentive.



3. Awards should also be instituted for the spouses of outstanding individual workers. In so doing, the Corporation honours not only the husband (worker-on-the-job) but also his wife (the worker behind the worker-on-the-job). And, when the GM personally makes a presentation (be it a wrist watch or a saree) at a special ceremony to the wife of such a worker, she feels and shares the honour with her husband under the full gaze of all other workers, their wives and children. A brief, carefully-prepared speech extolling the virtues of these workers - and the management has extended its influence right inside the workers' homes to be in opposition to the influence of 'trouble-makers' in the union or others in the factory.
4. Let each foreman sit with his men and decide: How to save (a) raw materials, (b) effort, and (c) time, and then, let there be a bonus for tangible savings in all the three areas.
5. In addition to being "efficiency engineers", managers at all levels must become, side by side, "human engineers". The plant managers should make it a habit to collect personal information about birthdays of workers, their hobbies, names of their children, etc., and store them

away in their minds. On occasions, when a worker suddenly discovers the boss offering birthday greetings or inquiring about performance of children in an examination, the worker is sure to be "deeply touched" by such personal interest in his well-being by his boss. These are all small human relations 'touches' but their effects are substantial.

6. The value of music as a morale booster has been well recognized for many decades. The chanting of workers while laying heavy electric cables in towns and cities is a common sight in India. Psychologists have found music to be of great assistance in (a) performance of work, and (b) increased productivity. Music also makes the time go faster and thereby reduces the monotony of the job. We would therefore like to suggest that if the Corporation finds the idea of "piped in" music inside the shop floors as too radical, it might like to provide music to the workers during lunch and rest periods in the dining hall.

It would be helpful if the personnel section carries out an opinion survey to find out whether music would tend to help them relax on the job or would it cause

them to be less attentive to their work. Each plant would have to do its own exercise.

7. Finally, a word about the 'Employee Suggestion Scheme' - a scheme the Corporation tried a couple of years but did not work. If such schemes are to be a success, it is important for management to ensure: that (1) the suggestion is received and examined as quickly as possible; (2) if accepted, suitably rewarded without delay, but if rejected, adequate reasons given, (3) if the suggestion is somewhat unsavoury for the management because it questions some of the old policies or practices, the suggestion should not be used to put the worker out of job, instead, he should be rewarded.

Let each plant management fix small boxes in the various departments and ask every employee who could find fault with the materials, the tools, the machines, the methods of work or anything else in the department, or any other department, to enter a written complaint and also make a suggestion for improvement. The complaints/ suggestions should be examined not by one individual but by a committee of workers and managers, chaired by the General Manager. The Suggestion System has done a lot of good to a lot of organizations the world over.

We are sure it would stimulate the individual effort in the BSIDC plants as well. Most of the workers we met and talked to appeared to be deadly-serious people, willing to work hard. What is needed at this juncture is "empathy" on the part of managers, i.e., the ability to put themselves in the workers' shoes, to understand how they see the work-situation and how and they feel about it and if so why?

A serious drawback to all "monetary incentive schemes" is that employees (including the management) are prepared to participate when productivity is rising and bonus level rising. But, they are not prepared to tighten their belts when productivity/profits fall off and at such times the management finds it very difficult to withdraw the scheme. We believe that to a certain extent this problem would be taken care of by inserting in the "Labour Policy" documents an appropriate clause/statement to this effect. The managers of plants could also be given discretion in the manipulation of rewards and punishment so that merit can.

We would also like to state that in ultimate analysis no one grand strategy for one single plant - much less for all the plants - will work all the time. Whatever scheme is tried, it should be constantly monitored and assessed so that

by learning from its mistakes the scheme can be revised to suit the need-hierarchy of the workers.

### Incentives for General Managers

Although we did meet General Managers who were low achievers and whose sense of motivation and morale were depressed for a variety of reasons, but we also met General Managers who within a short period had produced dramatic results and who were currently experiencing a very high sense of achievement. But, what baffled us most was that when a general manager produced profit 'fast', the reward did not come to him equally 'fast'. Indeed, it pained us to see one of the two successful managers of the BSIDC running about frantically at the Headquarters in search of his file in this connection and it was not difficult to imagine that even if the reward came to him, it would come very sluggishly. It is an established finding of behavioural sciences that if the management does not move quickly to recognize an "achievement", by a suitable reward/promotion, the sense of achievement does not last very long and very often turns into bitterness. In the process, the 'hen' that lays 'golden eggs' is sometimes killed.

We were also puzzled to hear that the 'successful general managers' were drawing lower salaries than the 'Officers on Special Duty' at the Headquarters.

### Promotions and Career Aspirations

BSIDC does not have, as far as we could see, an achievement oriented climate. It has a good number of employee, particularly at the lower and middle-levels, who feel stuck in their jobs and think as if they have come to some sort of a halt in their career. The behaviour of all these dissatisfied and frustrated men is causing deterioration of organizational climate and productivity.

One of the underlying causes for this widespread discontentment is lack of promotional opportunities. If this vast human potential is to be unlocked, then the Corporation must open up routes for its employees for their upward movement - either by (a) raising both the status and salaries, or (b) at least increasing their salaries, by revising the pay-scales.

Secondly, as far as possible the Corporation must follow a policy of promotions from ranks. In all those instances where competent people are available within the plant/corporation, first preference should be given to the insiders. To fill vacancies with outsiders for which qualified personnel are available within can have a devastating effect on morale.

It may be recalled that Corporation has already tried this policy for filling senior positions, like those of general managers in the past by some of the juniors, and the results that they have produced are there for everyone to see. Thus, if promotion from ranks is true of the men at the top, it is true also of the lesser leaders below them.

In making promotions from with-in, "ability" should be the determining factor. Where demonstrated abilities are equal, the employee with longer service should be given preference.

#### Surplus Staff

From the data gathered we discovered that administrative staff at some places was significantly larger than the "actual producers". The surplus staff at such places should be trimmed. We would like to recommend that in future if a certain activity requires the energies of five persons, only four should be employed.

#### Change of designations/Titles

We found a number of middle-level <sup>employees</sup> unhappy about their designations. For example, some of the engineers resented being labelled as "Junior Engineers" - a title, they felt, carried with it the connotation of an "overseer". The team would like to point out that there is a trade-off here if the

management wants to plug this source of dissatisfaction amongst such employees. And, that is, that official titles/designations are always recognized as some kind of psychic compensation/incentive by the employees. There is the story of a restaurant which set right a 'low morale' problem of their women employees (officially designated as 'fish women') cleaning fish in the kitchen by giving them a dignified title, namely, "sea-food processors". It did not cost the management a single penny but soon after those women were found working cheefully through the weekend to meet an emergency without expecting any extra pay. Why not call the BSIDC Junior Engineers as a "Assistant Engineers".

Discipline - Union as an 'Ombudsman'

We would like to suggest inclusion of the following statement in the 'Labour Policy' document:

"The Corporation views discipline in its various plants in a positive and not negative sense. The employees will appreciate that where large groups of people work together, reasonable disciplinary rules are necessary for the orderly conduct of their affairs. To this end, the Corporation has already some rules in effect and may establish from time to time such reasonable rules as are necessary to ensure the efficient conduct of business in the plants. All employees are expected to observe these rules. The right to hire, promote, discharge, and to maintain discipline is the sole responsibility of the manage."

While the above statement can go into the document, the team however believes that a positive contribution towards



maintenance of discipline in the BSIDC plants can come only through a collectively-administered discipline scheme in which both the management and the workers are involved. The team is emboldened to make this recommendation by the example set by the High Tension Plant Union when it got one of its fellow-workers charge-sheeted because of his mis-conduct.

An "experimental" setting up of a Disciplinary Committee in each plant on which will be represented, besides the management, workers from the various ranks and units, would, in our view, <sup>be</sup> the best guarantee against reversion to the old days of periodic crisis and strikes. All cases of discipline will be referred to this Committee. However, if the experiment in a particular plant fails, it can always be wound up. But, it must be given a fair trial. In case, this gesture is not appreciated by the unions, then strictness must rule.

#### Annual Performance Evaluation - by "Results"

By 'performance evaluation' we mean the evaluation of a worker's on-the-job performance. Our inquiries revealed that this is yet another area in which the Corporation is highly influenced by governmental practices, i.e., the annual confidential report of an employee of the Corporation which eventually becomes part of his ~~pers~~onal file and plays the most important part in determining his promotion chances is the

end-result of how his superior fancies him - a practice which, as is well known, suffers from the effects of personal biases of the officer writing the evaluation.

The team would like this practice to be replaced by what is called: "performance appraisal - by Results". The proposed system might not be so foolproof as to totally eliminate subjectivity of a superior but it does assure of an evaluation, based on job roles/tasks rather than on the personal traits of an employee, as felt by his superior.

"Performance evaluation - 'by Results' begins with 'job Description', i.e., identification of the tasks expected of an employee as a member of a unit/plant. The Bhagalpur Unit has already attempted it to a certain degree and we would like to commend it to other units as well. Every unit (in charge of a process) or every individual worker (responsible for a particular task assigned to him) must produce something if the unit of the worker is to justify its existence with reference to the goals of the unit or the factory as a whole.

After each 'job' has been carefully 'described' and both the worker and the superior have jointly arrived at a clear statement of the former's responsibilities, and agreed to it, the employee would then establish his short-range targets (say, for the next three or six months) and also work out a plan of action for meeting those targets.

To illustrate: The Chief Engineer in a plant would sit with his immediate subordinates, the Production Engineer, the Electrical Engineer, the Maintenance Engineer, etc., and ask them to spell out what they are expected to do for the factory. Each one of these Engineers, in turn, would ask his immediate subordinates, to do the same. In this way, each employee, General Manager included, would repeat the same procedure till the system descends down the hierarchy and the entire organization eventually becomes result-oriented, making everybody realize what are his responsibilities, how they are related to those of others and to the organization, as a whole.

When the target period (say, one month, three months or six months) is up, each employee evaluates what he has achieved against the targets he set for himself in agreement with his superior, and discusses it with him. This periodical appraisal by the two will become a joint examination of the tasks done, and those not done and the reasons behind them. The "results" achieved would automatically show how well an employee has performed and in this manner the whole system shifts the focus of the annual evaluation/appraisal (or the annual confidential report) from "personal traits" of an employee to "his accomplishments" during a given period of time.

The superior cannot give a good confidential report to someone just because he likes him nor can he give a bad report to another because he dislikes. The "results" obtained by each employee will truly mirror his or her contribution to the factory's productivity and will become the basis of his annual confidential report.

Knowing one's score - how well one has done - is a constant source of satisfaction. An employee can work without fear. Even the change of a supervisor should not ordinarily ruffle him up, for he knows what is expected of him and so long as he is achieving that, he can relax and attend to his job.

### Training

Recognition of the value of training as a systematic means of improving the productive capacities of its employees has, generally speaking, been conspicuous in the BSIDC ever since its inception. There is really nothing formal or continuous training policy/programme adopted by the Corporation even today. The only thing that is currently done is to occasionally send out one or two middle-level executives to attend refresher courses organized by one of the various training institutions at the national or state level. As for the lower ranks, the usual device is to put them into the work

situation and let them learn their jobs by trial and error or self-observation.

First and foremost, we would like to submit that if the BSIDC continues to hold on to the theory "training is not important" or "training costs lot of money", it can scarcely expect top performance from its personnel. In these days of rapid increase in the body of human knowledge, training is a practical necessity leading to practical, measurable 'returns'. These returns have been amply demonstrated in recent years. Amongst these "returns" on training investment are: Reduction of waste (improper work habits leading to waste of materials), improvement of work methods, reduction of trial-and-error learning time, reduction of maintenance costs of machines, improvement of communication, and increase in morale. Training has been found to be quite an effective instrument of preventing or solving many shop-floor problems, technical or behavioural. That is one reason why more and more large-sized organizations, including those in the public sector, have lately realized the significance of training and development. Many in the private sector have even set up their own training schools where instruction is given to the organization's men by staff detailed for this purpose. It is imperative therefore that the Corporation too clearly establishes its policy regarding development, training and education of its most capable people at all levels.

### Types of Training Programmes

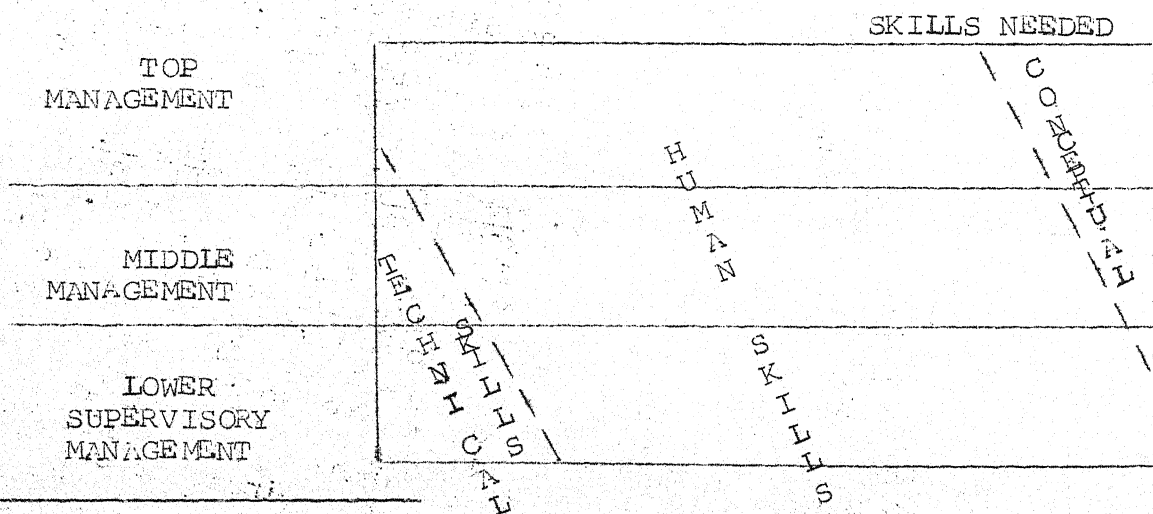
For purposes of organization of the training function in the ESIDC, we would like to classify training programmes as follows:

1. Orientation training: This will be aimed at acquainting every new employee with the Corporation's philosophy, objectives, history, so that he stands the basic reasons for the Corporation's existence and through that his own existence as an employee. This part of the training programme would also familiarize the new employee with his own role/task, its importance, and the ways in which it is inter-related with the tasks of others. It will also give him information on rules of conduct/discipline, hours of work, fringe benefits, incentive schemes, career opportunities (yes or no so that there are no disappointments later), etc. This training would cut across all hierarchical distinctions and will be provided to the lowliest unskilled worker as well as the top general manager.
2. Worker/jobber training: This will include all such knowledge that will enable to do the job perfectly for which he was hired. Learning time for each job varies with the kind of job it is. Besides, learning ability and attitude also varies from employee to employee. That is to say, if a jobber comes to the job with all his skills but without the earnest desire to do his job well, he has left his most important tool back at home. Therefore, each job and each employee will have to be studied to determine the amount of time needed.
3. Supervisor/Mid-level training: This area of training emphasizes the 'human relations' aspect of supervision, and the understanding of human personality, motivation. For example when we speak of training for foremen, we do not merely mean importing to them 'technical information' or knowledge, but rather to develop on their part a correct perspective of

their relations with the men under their control. They must understand the social structure of groups of men under them and also be aware of those attitudes, motives and sentiments which interfere with full production. He should also understand the sensibilities and reactions of workers as 'human beings', they must also gain an appreciation of the administrative tools for organizing, planning, controlling and improving the work methods/processes necessary for achieving the targets.

4. Top management training: Much of this training will be devoted to the development of 'human/conceptual' skills and 'conceptual' skills, the 'human skills' component being greater in breadth and intensity than that in the case of mid-level officers. It will also concern itself with subjects, such as, policy-making, long-range planning, creative thinking and acquisition of the latest management techniques in financial management, decision-making, etc.

What is the right 'mix' of the three skills (technical human and conceptual) for each of the three major categories of the staff (worker, middle-level, and top) is roughly illustrated by the figure below: \*



\* Paul Hersey and Kenneth H. Blanchard, "Management of Organizational Behaviour," Prentice - Hall of India (P) Ltd., New Delhi 1974, p.6.

### Determining Training Needs

Apparently, the BSIDC cannot launch a massive training programme for all of its employees at the same time and get them into the class room. Nevertheless, the problems that need attention - production issues, interpersonal relations, grievances, poor leadership styles - are so many that the question 'where to begin' poses a problem. A realistic approach to establish immediate training needs would be to apply the following check list:

1. Where are production/financial/personnel problems most pressing?
2. What is the nature of the problem?
3. What would be developed manual skills, attitudes or overall abilities?
4. What is the category of staff for whose benefit training is to be organized (their present skills, earlier training (if any), hierarchical positions)
5. What is the attitude of the targetted group on the need for training?

### Organization of Training Programmes

While locating the needs in a plant will be the primary responsibility of the personnel officer but he will be assisted, in this task, by a "Training Committee" consisting of line-supervisors from the concerned units so that the "perceived training needs" do not get distorted and divorced from the "actual training needs".



Since training is a continuous job, a crucial question that the Corporation must answer for itself is: whether it would use the 'outside' training institutions for getting its personnel trained or would it hire a temporary training consultant who would show the Personnel Officers - what to do and how to do - who, in turn, will then train the factory employees.

In either case, in achieving the objectives of a training programme the following steps would be necessary, and the Training Committee, with or without the advice of the guest Speakers, will formulate:

1. Objective of the training programme,
2. Course contents,
3. Course materials,
4. Faculty, and
5. Evaluation of the programme.

#### Who teaches

In our view, both academicians and Corporation's executives will act as instructors if the Corporation decides to organize training on its own. The academics will teach approximately 80% of the courses and the Corporation executives approximately 20%. "Case material" relevant to the culture of the Corporation and that of the particular plant would have to

be built up, i.e., cases involving actual incidents of a recurring nature, drawn both from the Headquarters and the plant concerned. These cases would have to be written in Corporation's language, terminology so that participants can easily identify with the incidents described. The academics would also have to gather case material on topics embracing the role of supervisory staff, human relations, communication system, performance appraisal, team building, motivation, and so on. In fact, if training is to be effective, there will have to be at least one case study for each topic.

There are two observations we would like to make here which would apply in any instance:

1. The training programme must have the full support of the top management. Programme which start with the backing of management always attain their objectives with the least expenditure of time, money and effort.
2. The employees who are selected for participation in training programmes must be those who: (1) are directly affected by the problems which are the focus of the programme; (2) can employ knowledge gained to practice; and, (3) have the ability to impart knowledge acquired to others in the work situation.

#### Personnel of the "Personnel Section" in Plants

While hiring or acquiring personnel to handle 'Personnel matters' in plants, the Headquarters must bear in mind that the personnel activities in plants would be substantially

different from those at the Headquarters. While the personnel officer of a plant would be concerned with selection and dismissal of employees but, more than anything else, he would be concerned with the 'morale' of the workforce. He would be concerned with hearing complaints from workers, their safe, healthful and pleasant working conditions and understanding of their problems, both on and off the job. He would have to study workers' emotions, habits, learning capabilities.

A personnel officer can provide valuable assistance to management in all these respects only if he is well versed in behavioural sciences (if not a professionally trained behavioural scientist) and one who can do research - not 'library' research but 'field' research' -, who has been around industrial undertakings, observed labour at work, interviewed them about their problems, and so on. He should be able to carry out, every six months, or at the end of a year, opinion/morale surveys of the workers and then give feedback to his superiors which can be used to modify policies and practices directed at the workers. Surveys of employees attitudes, opinions, and morale - can play an important role in providing management with very valuable information about the employees. For instance, when a survey obtains a feedback on the autocratic 'supervisory style' of the middle-layer-executives which is found to be undesirable, the

management can take the necessary steps in time to improve their styles through training etc. Surveys like this can also be used to feel the pulse of the employees even before initiating a policy or announcing a concession to the workers.

The personnel officer must also be interested in the follow-up of his opinion/morale surveys and if a solution suggested by him has not worked, he must be interested in going back to the 'field' to find out why that has not worked. In other words, he must be continually out to uncover factors in the organizational climate that interfere with morale and motivation of the workforce.

We should like to call the attention of the General Managers and the Personnel Officers in all the plants to the fact that qualities, characteristics and capacities of human beings - are subjects of scientific study just as are the qualities or characteristics of materials like steel, cement, concrete or wood. Just as we expect an engineer to understand the strengths and weaknesses of his machines, so also it is expected of the personnel officers to know the strengths and weaknesses of the men they manage.

He should also be familiar, as far as possible, with factory systems and methods whereby he can devise ways of ascertaining the 'output' expected from any job and then link it up with the incentive plans.

The personnel officer has also a very important role in spreading 'economic education' about the plant and the Corporation, as a whole. When workers and their unions understand their stake in a strong, profitable plant or corporation, they are more likely to put forth effort to do a full day's work and to cooperate with management. The workforce must be told and also understand that higher wages come from profits and profits come from higher productivity. Many times, labour disputes start just because this economic data has not been disseminated <sup>one</sup> amongst the workers. There can be only one reason for such situations: Either the management has not taken the trouble to tell it to the personnel officer or the personnel officer has not taken the trouble to pass it on to the workers.

The collection and analysis of information for this "economic education" should be established on a continuing basis and the ultimate responsibility for this would rest with the personnel officer. Of course, other divisions, such as, Sales (operational and planned figures, and possible decline/rise figures) Accounts (total wage bill, incentives paid, etc.), would be expected to extend their cooperation. Such data will not only help prepare the management's case but also to analyze the union's demands. Depending upon the accuracy of data collected, in some cases the resulting facts may even compel the unions to withdraw their demands.

## CHAPTER - IV

### FINANCIAL MANAGEMENT

A proper planning and appraisal of the various ventures undertaken by the Corporation is essential so that the implementation of the various projects and later on operating these as running enterprises may yield the desired results. The Corporation had to take charge of some undertakings of the State Government already created, such as, Superphosphate Factory at Sindri, High Tension Insulator Factory, Ranchi, and Bihar Spun Silk Mills, Bhagalpur. It launched its own projects in the names of Electric Equipment Factory at Ranchi, Bihar Scooters Ltd. at Patna, and Bihar Paper Mills Ltd. (being implemented) at Saharsa.

#### Planning of Projects

A Planning and Development Wing was created in the Corporation during 1973. It is composed of personnel possessing expertise in different branches of engineering and technology. We observed that the Planning and Development Wing was not intimately involved in the selection and appraisal of projects undertaken by the Corporation. It mostly does some monitoring work in respect of the running units or other projects of the Corporation.

The projects which the Corporation undertakes for implementation have to be an integral part of the State plan for industrialisation, and must relate to the scheme of priorities as decided through the planning process. Within this framework, the Corporation should be the fit agency for identifying projects for implementation to achieve its objectives. This requires the necessary capabilities to be developed in the Planning and Development Wing of the Corporation for the task of identification of projects within the Plan framework for industrialisation of the State of Bihar. A person at senior level possessing good background of economic planning needs to be included among the staff of the Planning and Development Wing for the purpose of undertaking the task of identifying projects suitable to be undertaken by the Corporation.

Equally important task of the Planning and Development Wing should be to undertake a proper appraisal of each project identified for evaluation. It has to be kept in view that project planning should be related to the various public policies. Also, the method of implementation of a project has got to be linked to the policy mix which the Government has adopted. A senior economist included in the Planning and Development Wing of the Corporation should be conversant with the use of the techniques of project appraisal as instrument

for making a project a vehicle for the implementation of the State's industrial policy. He should also help in creating adequate data base required for project planning. Alongwith technical experts of the Wing, the Economist should contribute to making specific studies for location of a project, availability of raw material, technical feasibility, scale of production, financial magnitudes, and organizational form.

At present, the project idea is obtained by the Corporation from outside sources. After identification of a project, its appraisal is got done by the Corporation through consultants engaged for the purpose. Our suggestion is that the necessary capability should be developed within the Planning and Development Wing of the Corporation for carrying out project appraisal exercises culminating into feasibility studies. The inclusion of an Economist, expert in project planning, at a senior level in the Planning and Development Wing alongwith other technical experts should enable development of capabilities for the necessary data collection and its analysis for undertaking project appraisal exercises. Such a capability developed in the Planning and Development Wing should prove of great help to the Corporation for appraising its own projects as well as those of other companies which apply to the Corporation for financial assistance.



A close collaboration of the Finance Wing of the Corporation, headed by the Financial Adviser, with the Planning and Development Wing would be necessary for conducting project appraisal exercises. The roles of the Finance Wing and the Financial Adviser have been discussed in a latter section of this report. However, it is pertinent to mention here that the assistance of the Finance Wing will be invaluable in conducting financial appraisal of a project, in determining the cash flows which would be generated on the assumption of the prices which could be charged for the various products, and in calculating the internal rate of return.

A proper planning of proposed investments in industrial ventures is necessary so that the Corporation does not get saddled with enterprises which become loosing concerns. As stated earlier, the Planning and Development Wing of the Corporation is not, at present, associated with policy making and does not have any significant role to play in identifying new projects, and in formulating them on scientific lines. It is mostly doing co-ordination work for the appraisal of new projects, and monitoring work in respect of the running enterprises or in regard to projects under implementation. The projects which are taken up by the Corporation for execution are generally decided upon by the State Government. Whereas the

authority of the State Government in finally approving a project to be undertaken by the Corporation is not proposed to be minimized, it is sought to achieve a meaningful involvement of the Corporation in doing spade work for identification and appraisal of projects.

It is suggested that the Planning and Development Wing of the Corporation should be outward looking, taking initiative in identifying projects to achieve the plan objective of the State in the field of industrial development. The strengthening of capabilities of the Planning and Development Wing by the addition of a senior Economist should equip it better for the task of undertaking scientific appraisal of projects.

In public sector, because of the specific objectives of State policy which a project is required to fulfil, both the financial appraisal and economic appraisal of such a project become important. So far as financial appraisal of a project is concerned, the Finance Wing of the headquarters organization of the Corporation will have an important role to play by rendering assistance in the application of various financial management techniques, like discounted cash flow, estimating cash flows, calculating internal rate of return, etc. The management accounting role of the Finance Wing

(discussed latter) would generate lot of information which can be used as the necessary feed-back information for planning new projects. Therefore, while undertaking financial appraisal of a project the efforts of the Finance Wing should be co-ordinated with those of the Planning and Development Wing with a complete access of each to the data collected and information generated by the other Wing.

In the case of economic appraisal of a project, the role of the Planning and Development Wing, including its Economist staff member, becomes important. Sometimes the Corporation may have to consider projects which do not yield adequate financial return. These may be considered important in the interests of industrial development of the State or for serving some desired social objectives. Such a situation would demand a thorough analysis of the indirect benefits emerging out of the project and also indirect costs of the project which may be inflicted on the State economy. The economic appraisal of the project must clearly bring out the social rate of return which the project would yield so as to establish its feasibility on considerations of social profitability. However, the financial rate of return expected from the project should also be calculated so that the performance of the management of the concerned unit is later on evaluated against the financial rate of return as expected from its operations.

This would create varied expectations from different units of the Corporation depending upon the results of the appraisal exercises which go into establishing their respective feasibilities. For instance, Bihar Spun Silk Mills, Bhagalpur, was sanctioned by the Government of Bihar as a Welfare scheme. The unit set up for spinning silk yarn and tassar silk yarn was primarily meant to protect Tassar Handloom Industry in Bihar. An assured and timely supply of tassar silk yarn at reasonable price to the weavers was thought to encourage them to produce more tassar silk product. Another objective for setting up the unit was to give protection to the **Adivasi** rearers of cocoons in Santhal Pargana and Singhbhum districts. It was meant to support the price of cocoons so that rearers of tassar silk worms get an economic price. The Bihar Spun Silk Mills which was subsequently handed over by the State Government to the Corporation, had in the past been making losses which have been turned into profits in the recent couple of years. If a proper financial and economic appraisal of the Spun Silk Mills project had been carried out, it would be easier and more rational to evaluate the performance of the unit, incurring losses or making profits, in terms of scientifically determined results expected from its operations.

Therefore, both financial and economic appraisal on scientific lines need to be done for each of the projects of the Corporation so that later on when these become running enterprises, their results could be evaluated against a properly pre-determined guiding frame. This would apply to all the projects undertaken by the Corporation including its units which are incurring losses, like Superphosphate Factory at Sindri. It is, therefore, imperative that the necessary capability for appraisal of projects is developed within the Corporation, and later on when these projects become running units the same capability of the Corporation is utilized for monitoring and evaluating the results of these ventures against those projected in the feasibility studies. As suggested earlier, an intimate relationship and proper co-ordination between the Planning and Development Wing and the Finance Wing of the Corporation would be necessary both for the purposes of appraisal of projects and for monitoring their performance. These specialized and sophisticated jobs would need to be performed by well qualified and talented experts both in the Planning and Development Wing and in the Finance Wing. The Corporation should, therefore, make efforts to attract and retain suitably qualified and experienced personnel in these two wings. The present salary scales offered by the Corporation to such like experts are not adequate and need to be revised upwards.

### Marketing Function

An important aspect of the appraisal of a project is to carry out demand analysis for the products it will manufacture in order to assess whether there would be adequate market for the supply to be created. It has been observed that some of the enterprises of the Corporation command a ready market and enjoy good demand for their products, as is the case with the production turned out by the High Tension Insulator Factory at Namkum, Ranchi. Others, like the Electric Equipment Factory, Ranchi, have a restricted market for their products and face serious competition from other suppliers.

It is suggested that the Corporation should include its Planning and Development Wing expertise for carrying out marketing studies for making the necessary demand projections to ensure that a project being appraised would be commercially viable. A sound marketing expertise available in the headquarters organization can be of great help in conducting useful studies to provide the necessary basis for the Corporation's future expansion programme and to determine production priorities.

There is also need to equip each unit of the Corporation with an expert marketing cell. This cell should maintain

an intimate touch with the market conditions and keep studying if any product modification or diversification becomes necessary. It should function directly under the charge of the General Manager of the Unit, and assist him in promoting sales of the products of the factory. For instance, in the case of Electric Equipment Factory, Ranchi, the team observed that the unit was dependent on Bihar State Electricity Board for the sale of its transformers, and on the Irrigation Department in regard to demand for its motors. On the basis of the number of villages already electrified in Bihar and on assessment of the number expected to be electrified per year in future, the officer-in-charge of sales had been making estimates of the factory's share in sales to meet the requirements of these items in Bihar. Whereas his approach was on the right lines, the unit which has been incurring losses was facing an acute problem regarding the sale of motors. It has diverted some of its capacity to repairing transformers.

The issue which is of great importance is that many of the products of a manufacturing unit of the Corporation need to be sold in the competitive market. <sup>makes it</sup> It imperative for the marketing cell of the unit to be carrying out a continuing assessment of the market trends and be devoting efforts towards sales promotion. The marketing cell of a unit should be

equipped with the necessary expertise for this purpose and be staffed with the right personnel possessing the necessary qualifications, background, and aptitude. The marketing cell should also concentrate on promoting sales by undertaking functions, like submitting quotations, attending to consumers' complaints, dealing with return and replacement of goods, and chasing insurance claims, etc.

#### Performance Budgeting

It is imperative for the Corporation to ensure that its various units are operating with the necessary efficiency and economy. This can be achieved if the units function on a properly framed scheme of performance budgeting.

Performance budgeting is a technique which seeks to bring out what an organization proposes to do, how much of it, at what cost, and with what results. According to this technique, physical and financial aspects of each activity are correlated by establishing relationship between outputs and the related inputs. The scheme of performance budgeting has to operate within the framework of clearly defined objectives which are sought to be achieved through successful implementation of the various activities undertaken by the concerned departments (or their sections) of the organization.



A performance budget is an annual plan of action for achieving through the implementation of various activities the clearly defined objectives of the organization concerned. It is imperative, therefore, that the objectives of the organization are spelt out in concrete terms as a prelude to preparing its performance budget. The organization concerned must determine ahead of time as to what it wants to achieve during the budget year. Then only it can properly plan its activities for the accomplishment of its objectives. These activities should be displayed in a systematic manner, relating their financial and physical aspects.

The rationale of identifying activities in such a manner is to establish a proper correlation between the physical and financial aspects of each activity. The output of an activity in terms of physical targets is related to the inputs required, which are translated into financial terms and asked for as budget provision for the implementation of that activity. In a scheme of performance budgeting, therefore, it is essential to set physical targets for accomplishment in respect of each activity to enable working out of corresponding financial estimates for incorporation in the budget.

The working of the system of performance budgeting depends importantly on the techniques evolved for the measurement of output in relation to the inputs used. The system envisages selection and development of suitable work measurement units, norms, yardsticks, standards, and other performance indicators for measuring physical quantum of work to be done or services to be rendered. These measurement norms are essential in deciding as to what is the proper relationship between the resources to be utilized and the results proposed to be achieved. These are also necessary to provide detailed justifications for the budget provisions asked for, and to furnish a scientific basis for the quantum of work proposed to be undertaken for the completion of an activity.

The crux of a scheme of performance budgeting is to ensure that activities are performed with maximum efficiency and economy. A proper assessment of the efficiency of operations in the execution of activities, therefore, becomes important. Efficiency of an operation may be measured in different ways. It may be compared with certain pre-determined norms and standards. Pre-determined norms and standards can provide good yardstick for the evaluation of performance. Different types of norms and standards have been suggested to be used depending upon the nature of activity, and their suitability to particular situations.

These norms should provide indices of efficiency by relating inputs to the corresponding output at different levels of performance. Accordingly, there need to be various norms for measuring different types of output. These norms have to be related to the mission and purpose of the organization concerned.

It is, however, necessary that the accomplishments of these missions and purposes are expressed in terms of countable work - units. It is important to recognize that the applicability of work norms has to be related to quantifiable physical output. Also, the end products comprising the output must be of a homogeneous nature to admit application of the same measurement norm. It may be that in the case of certain activities the end product is not homogeneous. In such situations, for the application of work norms, it is necessary to group homogeneous units of output into one category and to determine as many categories and the related performance standards as there are different types of end-products or output.

It is important that the measures of work devised are realistic and acceptable to the various participants of the activities. These must be acceptable to the operating officials whose work is to be evaluated in terms of these norms. They must also be acceptable to the higher management who would be evaluating the performance of executing authorities by using

these norms. Also, such norms or measures of work should be acceptable to the authority responsible for scrutinising and approving budget estimates framed on the basis of these norms.

A complete understanding of the nature of work is necessary before proper standards of performance can be set. These standards should be related to the local conditions and not transplanted from other different economic systems. It may be pertinent to mention that quantitative measurement of output of an activity does not by itself ensure quality of the end-product. Other methods are needed to assess qualitative aspects of an activity and to ensure quality control.

In order to operationalise the scheme of performance budgeting, it is imperative that the concept is also built into the structure of accounts to facilitate monitoring of expenditure incurred on specific activities. A performance budget is a work plan which expresses targets for achievement in respect of various responsibility levels, based on accepted norms and standards. Measurement of actual performance both in physical and financial terms in relation to the budgeted plan is an extremely important aspect in the use of a performance budget. This, however, needs to be done in a manner as would help decision-making and control at the various levels of management. In this context, designing a meaningful infor-

mation and reporting system assumes vital importance. These reports would have to be generated on the basis of expenditure information contained in accounts and information regarding physical accomplishments obtained from the operating personnel.

A performance budget is required to be divided into convenient periods depending upon the nature of the organization concerned and the type of activities it is engaged in. For each of these periods (bi-monthly, quarterly, four monthly, etc.) a budget plan for the tasks or targets to be achieved should be phased out. The monitoring of expenditure and the related physical accomplishment needs to be done in terms of these periods and compared with the budget plan for the same period. The purpose is to enable the management to make 'on course corrections' in the event of deviations occurring between actual achievements and the budget plan. A system of reporting and review is an essential component of a scheme of performance budgeting, and serves a highly useful management purpose. A comparison of the expenditure incurred and the corresponding physical targets achieved with the budget plan serves an important purpose in facilitating evaluation and control of performance.

It is suggested that the Bihar State Industrial Development Corporation should require its units to introduce performance budgeting and base their operations on such a scheme. The working of a scheme of performance budgeting would create responsibility centres for the accomplishment of specific tasks. It would also require fixing of work norms for various levels of workers or other functionaries. Also, the management levels, like Production Engineer, Foreman, Assistant Engineer, etc., would become accountable for achieving their clearly specified tasks.

The monitoring of performance of the various sections and responsibility levels in a unit of the Corporation would be meaningful provided it is done against properly pre-determined norms and standards. The production and other activities of the units, therefore, need to be planned on the basis of scientifically determined norms, standards, yardsticks, units of work measurement, etc. These norms and standards should be realistic and specific to the situation to which they are applied. A significant importance should, therefore, be attached by the units to a proper framing of norms and standards applicable to different manufacturing, production, and task performance situations.

The operation of a system of performance budgeting in a unit would require a clear delineation of functions and responsibilities for the accomplishment of specific tasks by the responsibility centres created for the purpose. In such a scheme, the various stages of a manufacturing process or the units of production should be subjected to proper costing. For instance, the production process followed in the High Tension Insulator Factory, Ranchi, can be divided into discrete stages and process costing done for each stage. The entire process of production of insulators, which is considered in two main sections, i.e., green stage before firing and firing and onwards stage, can be subdivided into five discrete processes for allocation of costs, namely, Slip House process, Shaping & Finishing process, Glazing process, Loading & Firing process, and Assembly process. For each of the processes so sub-divided a proper input-output relation can be established.

It must be pre-determined as to what quantum of inputs going into a process would turn out what quantity of a specific output. Of course, the Output of one process passes into the next process in the flow of production of ceramic industry. There is also simultaneous production of insulators of different sizes and form carried through different processes. However, the total manufacturing process for each type of insulator can

be sub divided into discrete processes for establishing a proper relationship between inputs going into and the resulting output in respect of each clearly demarcated process. Similarly, the process flow in the Bihar Spun Silk Mills, Bhagalpur, comprises of sorting of raw material (silk waste), degumming, conditioning, dressing, draft picking, preparatory stage, ring spinning, winding (twisting), gassing or seinging, reeling (bundling and packing - Finishing Department), finished spun silk (silk examination checking for quality by picking the defects etc.). Process costing can also be suitable for the manufacturing activities of Bihar Spun Silk Mills. There are other units of the Corporation, like Electric Equipment Factory, whose manufacturing activities are well suited for job costing. A proper costing of the manufacture of a product is necessary whether it is done in terms of process costing or job costing or batch costing.

It is, therefore, suggested that each enterprise under the Corporation should standardize its cost of production as related to different performance units. The performance of the operating units should be evaluated against the pre-determined standard costs. Collection of costs for each stage of production or for each job would facilitate creation of a system of responsibility accounting to correspond to



clearly delineated responsibility centres. Such a costing arrangement would also help in assessing the resultant increase in net revenue attributable to any increase in production and sales. In this context, it may be relevant for an enterprise to work out the variable and fixed costs of manufacturing different products. Such a cost analysis could be used for taking rational business decisions in regard to production and sale of various items. This would also help in taking other decisions, like a suitable product-mix which an enterprise should turn out to maximise its profits. The information obtained from such a cost analysis should also be used for determining the break-even point in respect of each product so as to be sure about the profitability of manufacturing and selling different products.

Pre-determination of costs of various processes and jobs, standardizing these, and exercising the necessary cost control during the stage of actual production can be achieved better within the framework of a system of performance budgeting. Such a scheme of budgetary control can be employed to pre-determine operational objectives and to pursue their achievements by exercising the necessary cost control.

The formulation of a performance budget would require planning of the various activities of the enterprise ahead of the budget year. These activities should be assigned in a

distinct manner as responsibilities of various management levels in the Organization, and their coordination ensured. For each activity, proper cost estimates would need to be prepared on the basis of accepted norms and standards. The norms used for preparing budget estimates, to be realistic and workable should be developed as a joint exercise between the workers, the management of the unit, and representatives of the headquarters. Once these norms become acceptable to the three parties mentioned, each of them would agree to the quantum of production or the amount of work to be turned out within a specified period and at properly worked out cost. The workers would understand the norms performance required of them. The management of the unit would also be able to oversee and control the workers' performance in terms of the norms acceptable to it. The headquarters organization would also have a standard available against which to evaluate the performance of a unit.

These norms and standards for performance measurement may need to be revised as and when the factors on which they are based get changed appreciably. These factors may include the technology used, productivity of workers, etc. For instance, productivity norms for the workers may be kept on the lower side in the beginning when they are getting

trained and picking up work. The norms would need to be revised after the workers have acquired skill and have become trained.

The Development Wing at the headquarters is staffed by engineering personnel, and according to our suggestion it should also include experts with economics background. These specialised personnel of the Development Wing should help the units in evolving norms and standards for various activities by the application of techniques, like work study, method study, work measurement, network analysis, etc.

The various norms, standards, yardsticks, units of work measurement evolved should be used as relevant in different situations for preparing performance budgets for the various functional areas of an enterprise. Starting from the Sales budget, the enterprise should prepare other budgets, like Production budget, Material budget, Purchase budget, Labour budget, Overhead budget, Capital budget, and Ways and Means budget. The pre-requisite for an optimum use of the technique of performance budgeting is that there should be clear demarcation of responsibility and accountability for specific functions in the framing and format of an enterprise's budget. The budget for each functional area should be further sub-divided into distinct responsibility centres and further on into cost centres. The entire functioning of the enterprise should ultimately be

divided into various cost centres corresponding to specific centres of activity. A responsibility centre may include one or more cost centres. While framing estimates in the budget, it is in terms of cost centres that costs are estimated and later on as the budget is operated upon, costs are accumulated and recorded for these cost centres..

The quantified objectives of an enterprise need to be shown in the form of a performance budget which is divided to conform to the responsibilities of various functional heads. Each such division is further sub-divided into responsibility centres and ultimately into cost centres. The purpose is that budget estimates should be framed in accordance with such a sub-division of functions, and information regarding inputs used and the resulting output should also be collected in terms of each such sub-division. Whereas the inputs used can be identified in terms of the various

resources employed in each process or for each job, output may be expressed in terms of value, numbers or quantity.

The purpose served by such a scheme is that a comparison can be made between the budgeted and the actual performance of each responsibility centre. In the event of any deviation between the budget plan and the actual accomplishment, variance analysis should be conducted to detect the causes of

variance, identify key factors, isolate controllable factors from those non-controllable, and to identify responsibility levels which should take remedial measures to correct the situation.

A budget plan is generally prepared on annual basis. But if comparison of actual performance with the budget is made towards the close of the budget year, it would not help the management in taking the necessary corrective actions if things were not happening according to the budget plan. To use performance budget as a tool of management, the annual budget should be phased out into monthly budgets so that at the end of each month actual performance may be compared with the budget plan for the same period and any variance between the two analysed to detect causes for the same and to suggest remedial measures to correct the situation.

It may be added that the break up of an annual budget into calendar months has to be done in accordance with the performance estimated for each month, which may not be the same for every month over the entire one year period. Such a system of performance budgeting would facilitate monitoring information to ensure that all sections of the enterprise are accomplishing their assigned tasks and thereby contributing towards the attainment of predetermined objectives of the

enterprise. It should also lead to better communication and coordination amongst the various sections of the enterprise. The system of reporting under such a scheme of performance budgeting has to be designed in a manner that the reports reaching the management should furnish information both relating to financial and physical aspects of an activity in terms of its actual performance as compared with the budget plan. Detailed suggestions regarding management information system required to be introduced in the various units of the Corporation have been incorporated in a subsequent section of this report.

An adequate information system is a necessary adjunct of a properly framed scheme of performance budgeting. It can be a useful aid to the management of the enterprise as well as to the management in the headquarters organization. At present, the various units of the Corporation prepare their annual budgets both in financial and quantity terms, which are submitted to and approved by the Board of Directors. It is suggested that the headquarters of the Corporation should scrutinize these budgets according to the requirements of performance budgeting in terms of scientifically worked out and accepted norms and standards before these budgets are placed before the Board for approval.

After these budgets are sanctioned and as they are operated upon by the concerned enterprises, the Corporation's headquarters should keep monitoring information regarding performance of these enterprises as compared with their budget plans. A successful operation of a scheme of performance budgeting would, however, require each enterprise to be properly equipped with expert accounts staff capable of doing cost accounting functions.

Within each enterprise, performance budgeting should be used for monitoring information regarding performance of each responsibility level, and its evaluation against a pre-determined budget plan. In such a scheme, the use of work norms and standards would be applicable to all levels from top down to the lower rungs including Mandoor/prega, helper (semi-skilled), operator Grade II (skilled), operator Grade I (skilled), charge hand (shop floor supervisor), etc. To ensure, in particular, that the lower levels give performance in terms of the norms applicable to their work assignment, the system of performance budgeting would need to be supported by properly designed incentive schemes. Also, performance evaluation criteria would need to be evolved so as to motivate the various levels of workers and functionaries including the senior management levels so that they contribute their best to the accomplishment of their assigned tasks. The

relevant issues in this area have already been spelt out in an earlier section of this report.

### Management Accounting

A necessary adjunct of a sound management information system is an efficient system of management accounting which needs to be developed to provide the necessary support to the decision-making processes taking place at various management levels. Management accounting is concerned with that type of information which can be useful for management. The emphasis is laid on the usefulness of information in serving the needs and purposes of management. In such a scheme, the accounting information would need to be presented in different forms to cater to the requirements of management at various levels.

At present, daily and monthly production reports are received in the headquarters organisation from its operating units. In addition, a quarterly report is sent by the units to the headquarters, which gives information both in regard to the quantity of production and financial expenditure. Sales are also reported by the units on daily and monthly basis. The annual accounts are transmitted to the headquarters by the units after the close of the financial year. There are also returns like production - cum - sales - cum -



stock sent by the units to the headquarters. In the context of the operation of a scheme of performance budgeting, these reports would need to be revised and rationalised so that the amount of production and other results achieved by the units are related to the corresponding cost incurred, and are brought out in the reports. The focus in evolving reporting formats would be on the actual achievements made by the units as compared to a scientifically worked out budget plan.

The deviation between the actual achievement and the budget plan should attract the attention of the management accounting agency to conduct variance analysis for finding out the causes responsible for such a situation so that the necessary corrective action could be taken by the concerned management level. Therefore, for conducting such an analysis to evaluate the performance of different responsibility centres, accounting and finance wings in the headquarters and in the units should be equipped with management accounting cells staffed by qualified and trained personnel.

We observed that there was no proper arrangement for cost accounting in the units of the Corporation, and also no systematic analysis of the reports coming from the units to the headquarters was being done. This was mainly due to lack of necessary expertise being available at the units and at the headquarters.

For using the technique of performance budgeting to reap maximum advantage, it is necessary that proper cost estimates of the various activities are prepared for incorporation in the budget. An effective cost control can be exercised by the management by using the technique of standard costing as part of budgeting. Standard costing can be used by management for comparing actual performance with pre-determined standards. Any variation between the two can be analyzed so as to identify lapses in performance, to enable the concerned management levels to take remedial measures. However, a scientific system of costing would require an efficient and properly structured system of accounting. The accounting classification used should be in line with the budget classification so that expenditure figures become available without difficulty and as quickly as these are required for management purposes. For the variance analysis to serve any useful purpose, it is necessary that heads of expenditure as given in budgets and heads of expenditure for accumulation of actual costs are the same. The management accounting cell would need to ascertain actual cost of various activities, processes, jobs, for the reporting periods. It would also be concerned with reconciling expenses as per cost accounts with expenses as per financial accounts to ensure consistency between the two sets of accounts. Since costing

figures are taken from financial records, to ensure accuracy of cost records, it is necessary to periodically reconcile the cost and financial accounts.

An important task of a management accounting cell would be to compare actual performance of various activities with their respective budget plans, and to analyze and interpret the variance between these two. Standard costing technique should help such a variance analysis, supported by an efficient system of accounting and costing and a proper system for stores. Properly recorded actual performance of various activities would need to be compared with pre-determined standards showing separately favourable and unfavourable variances. A detailed analysis should be conducted of these variances in order to draw attention of the management to factors relevant for taking corrective action.

The variances between the actual performance and the budget plan can be of different types, namely, variances in material cost, variances in labour cost, and overhead variances. Each of these variances is further sub-divided into specific activities under the main category. For instance, specific variances may arise under materials cost in various items because of differences in prices, differences in usage, differences in yield, and differences in mix, etc. In the case of labour

cost, differences in rate, differences in efficiency, differences in mix, differences in idle time, etc., may be the factors causing variances between the actual costs and the budget estimates. Similarly, variances may occur in specific items under overheads, like, differences in volume, difference in efficiency, differences in expenditure, and differences due to hours worked.

The comparison of actual performance with the budget plan and variance analysis should be a continuous process conducted periodically. Whereas such a variance analysis should be done for the performance during each month, it can also be extended to the performance of various activities even during shorter periods depending on the needs of a particular manufacturing situation. The periodicity for conducting variance analysis should be determined keeping in view the purpose of such an analysis in helping the management to control costs, increase efficiency, and reduce wastage in the process of achieving the pre-determined objectives. Such a variance analysis conducted periodically can also help in revising the budget for the remaining part of the year if that becomes necessary.

A regular stream of information regarding financial and physical aspects of each activity should flow to the

concerned responsibility level for decision-making and control purposes. Such a flow of information to different levels is necessary for performance evaluation. The information needed for performance measurement has to flow from two channels. Physical accomplishments would be monitored through a reporting channel flowing from the operating officials. Information regarding expenditure incurred has to flow through another channel based on a proper structuring of accounts, which conforms to the budget classification, and an efficient system of cost accounting. When these two sets of information are put together in terms of various responsibility centres for the period under consideration, a picture of actual performance in terms of physical accomplishment and the related cost would emerge. The actual performance as monitored from the information system can then be compared with the budgeted plan and variance analysis conducted. Detailed recommendations on management information system necessary to be introduced in the Corporation and its units are contained in a subsequent section of this report.

An important function of the management accounting cell in the headquarters should be to conduct audit, periodically, of the various units of the Corporation. Apart from carrying out financial audit, such an internal audit agency

should keep reviewing the operation of the scheme of performance budgeting in the units.

The reports of the internal audit teams on various aspects of the functioning of the units, including regularity and propriety of their transactions and evaluation of their performance in terms of the accepted scheme of performance budgeting, would provide information to the headquarters management accounting cell in addition to what this cell would be itself generating on the basis of the analysis of the reports coming from the units. The information thus furnished by the management accounting cell can be of great help to the Chairman-cum-Managing Director of the Corporation in exercising proper control on the units and in discharging his various management functions.

It is, however, imperative that the management accounting cell in the headquarters should be staffed with qualified and trained personnel well-versed in the techniques of audit and performance evaluation. The Corporation should also arrange for occasional exposure of management accounting personnel to the modern techniques of management by sponsoring them for refresher training courses. More recommendations on the training needs of the employees of the Corporation and its units have already been included in an earlier section of this report.

### Organization of Finance Function

A Financial Adviser of a sufficiently senior level should be in-charge of the Finance Function in the Corporation. He should also be head of the accounting organization including its management accounting cell. The organizational set-up of the Financial Adviser's department would need to be in accord with the various functions required to be discharged by it.

At present, there are two Controllers of Accounts in the Financial Adviser's department at the headquarters. One of them looks after the accounts of the Corporation pertaining to its headquarters, and the other Controller of Accounts (Audit) is primarily concerned with the accounts of the units. The main concern of the Controller of Accounts (Audit) is to ensure that the units are operating according to the directives of the headquarters, and are maintaining their accounts properly. An organizational restructuring of the Financial Adviser's department would become necessary to provide for the management accounting function to be undertaken by it to aid the various decision-making processes, and to organize the internal audit function in its various dimensions as suggested above.

The Financial Adviser's department would need to function in close association with the Planning and Development Wing of the Corporation. The information generated by the management

accounting cell can be of great use to the Planning and Development Wing in its various activities and tasks. Also, the Financial Adviser's Department alongwith the Planning and Development Wing can provide the necessary guidance to the units of the Corporation in their various management functions.

As suggested earlier, the Financial Adviser posted in the Corporation's headquarters should be a highly experienced person possessing the necessary background for the job. He should function directly under the control of the Chairman-cum-Managing Director, assisting him in his various management tasks. Such a functionary should be placed in a reasonably senior scale commensurate with the responsibilities he is to discharge. The Financial Adviser's department should be adequately staffed with other finance and accounts experts required for carrying out the various jobs as mentioned earlier. These personnel would need to be paid good scales of pay to attract and retain qualified and experienced persons in this department. The present scales of pay in the Corporation offered to such like experts are too low and need to be upgraded.

#### Delegation of Financial Powers

Performance evaluation of enterprises and of responsibility centres within these units, in terms of objectives,



targets, tasks, norms and standards, would require provision of adequate facilities to them, which may be necessary for the successful accomplishment of their tasks. The preparation of performance budget at each level of management in the organization results in assignment of responsibilities to different levels of management. This ensures better accountability of these responsibility levels against their budgeted plans, tasks and targets. The accountability for assignments would, of course, require provision of facilities necessary for the discharge of functions by the various responsibility levels. One such important facility is delegation of powers.

A decentralised responsibility structure under the scheme of performance budgeting necessitates delegation of powers down the line, commensurate with the responsibilities to be discharged at various levels. Adequate delegations are necessary for an efficient discharge of responsibilities at the various levels of management. Whereas adequate delegations commensurate with responsibilities are essential, it is equally important that necessary environment is created in which these delegations can be really exercised. The various factors inhibiting the use of powers by the delegates should be sought to be removed.

There are three important issues in the area of delegation of powers. One of these pertains to the adequacy of powers delegated to the General Managers of the units from the headquarters. The other concerns the re-delegation of powers from the general Managers of the units to other levels in the management hierarchy. The third important issue in this area pertains to the environmental factors surrounding the exercise of delegated powers by the delegates.

The adequacy of powers delegated to the General Managers would need to be determined in the context of the functions to be discharged by them. These delegations may pertain to powers to purchase materials and award works without inviting tenders; powers to accept tenders; powers in respect of purchase of stores and contracts; powers to incur contingent or other expenditure; powers to declare stores as surplus or unserviceable; powers to create temporary posts in the work charged establishment; etc. In the same framework, the need will have to be assessed for re-delegation of powers to other management levels in the enterprise, required for an efficient discharge of their functions. The powers delegated have to be operated by the delegates within the framework of certain rules, regulations, procedures, and conditions, as are prescribed by the headquarters. It is necessary to take

care that these conditions imposed are the minimum required to ensure financial control and accountability.

The General Manager of a unit has at present been delegated powers to effect purchases of items not exceeding Rs.750/- (Rs.500/- in certain cases) in price in each case, directly from a supplier without inviting more quotations. In the case where the value of a purchase is more than Rs.750/- and upto Rs.25,000/- (Rs.20000 in some cases) it has to be made after inviting selective quotations from a limited number of dealers. These quotations are then considered by a purchase Committee. The purchase committee which generally meets twice a week, comprises of the General Manager of the Unit as its Chairman, and includes Chief of Accounts of the Factory, the technical person concerned with the item of purchase, a representative of the recognized Union, a local representative of the Industries Department of the Government of Bihar, as members. If the value of the purchase exceeds Rs.20,000/- in certain cases and Rs.25,000/- in others, it has to be effected by open tender through advertisement.

It is suggested that the limit for purchasing an item on one quotation basis should be raised to Rs.1500/- per item. It has been observed that requirement of three or more quotations in respect of purchases of items not substantial in value, does

not serve any useful purpose of financial control. In fact, such a system results in some unhealthy practices being followed by the suppliers of such items in the sense that the same supplier would furnish three quotations under three different names of firms. A better approach in such a situation would be that a committee comprising of three officers should be empowered to make final selection of an item of purchase even without obtaining three quotations for the purpose. One of the members of the Committee should be the officer concerned who needs the item proposed for purchase. The other two members may be from other senior officers of the enterprise, such as, the General Manager, Chief of Accounts, Purchase Officer, etc.

It may be stated that a purchase of the value upto Rs.1500/- per item and transacted through the proposed committee comprising of three officers without inviting quotations, would conform to ensuring the interests of financial control. Because, financial control should be deemed to have started when there are more than one individual taking part in a transaction. The procedure according to which the officer concerned who needs the purchase, is joined by two other senior officers in a committee for effecting the purchase, would provide the necessary control mechanism even

when the purchase is made without inviting quotations. Any further procedural requirements necessary to be observed before a purchase of such a small value (upto Rs.1500/- per item) can be effected while providing for stricter control would also delay the procurement of the item thereby hampering the work. Therefore, in the case of purchases of small value not exceeding Rs.1500/- each item, involvement of a committee of three officers in transacting these purchases should be sufficient to ensure requirements of financial control.

The purchases of items costing more than Rs.1500/- each may, however, continue to be transacted, as at present, through a purchase committee specifically constituted for the purpose. The limit of Rs.50,000/- beyond which a reference becomes necessary to be made to the Corporation's headquarters if the lowest quotation is not accepted by the purchase committee may, however, be revised upwards. Also, for capital items, the monetary limits need to be raised in respect of items for which the purchase can be effected through the purchase committee and also in other cases where approval of the Corporation's headquarters is necessary.

It would, however, help to standardize as many items of purchase as possible, and to enter into rate contract with reputed firms so that after the need for purchasing an item is

established the various procedures for procuring it can be cut short. Powers for making these purchases can even be delegated to individual officers.

It is anomalous to make different management levels accountable for the discharge of their responsibilities without delegating to them adequate powers to match their responsibilities. At the same time, it is imperative to ensure that the powers so delegated are properly exercised and not misused. Therefore, it would be necessary to introduce a system whereby exercise of delegated powers by the delegates is periodically checked by the supervising and controlling authorities. This checking of the proper exercise of delegated powers has to be a continuous process to be carried out by higher management levels on the basis of the reports and information supplied to them. However, the information would need to be summarised as it is furnished to higher and higher management levels to make it relevant for the purposes of each management level.

Therefore, to ensure proper control and accountability at various levels of management, a system of reporting and returns should be built into the scheme of delegations. Whereas the need for some reports and returns can not be questioned, if these become too many or require too much

filling in of details in the process of functioning of an operating level, this would act as an inhibiting factor to the exercise of powers by the delegates. Therefore, it is necessary to review the reports and returns being used in the Corporation to keep them in accordance with the intention and spirit of the scheme of delegation of powers so that these reports serve clearly recognized purposes. A comprehensive treatment of this subject of design and format of reports is contained in a subsequent section of this report.

## CHAPTER - V

### MANAGEMENT INFORMATION SYSTEM

#### The Present System

The Management Information System in the BSIDC is in the form of a reporting system which demands feeding most of the data from various units to the Head Office of the BSIDC. The purpose of the reporting system is not clearly defined and most functionaries get these reports for "knowing" as to what is happening in different departments and subsidiary units. As a consequence, the feed-back mechanism is highly inadequate in the Corporation.

Since most of the data (including routine type of data) is fed to the Head Office; the senior managers spend most of their time in dealing with these reports and other day-to-day matters. Consequently, important matters of policy and direction suffer, decisions are delayed and dependence of units and subordinate offices on the Head Office increases.

Proformas for collection of data have been introduced as and when the need arose. As a result of this, data collected at the Head Office level is voluminous and unorganized. The management, therefore find it difficult to process it for meaningful and timely information for managerial decisions.



Delay in generation of reports prevents timely corrective action.

High volume and low utility of data are, to a great extent, responsible for its low reliability.

### The Framework for Designing a New MIS

The activities of the BSIDC are spread over a number of its productive units using different technologies, producing different products, and carrying over diverse operations. Because of its large size and a vast variety of its products and services, it is not possible for the Head Office of the BSIDC to know and control the day-to-day operational matters of its units. As such it is necessary that the units are given a high degree of autonomy in planning and control of their operations. Whereas meaningful decentralization would facilitate the process of policy formulation and decision making, it would make the need for effective control and supervision all the more imperative. Therefore, control information would be required at both, the Unit and the Head Office levels.

The purpose of control information is to help take necessary decisions for achieving the overall objectives of the BSIDC. The first step in the control process will be to

compare the actual performance with the plans and operating standards set for achievement for each unit. Based on the analysis of causes for these variations, the executives at the Strategic Level may decide on one of the following courses of action:

- To change the resources, in quality and/or quantity, and the operating conditions (including the equipment, methods of production, and working conditions) so as to bring actual performance back into line with plans and standards.
- To change the plans and standards to reflect changes in the basic assumptions that were made when these standards were set up.

In order to avoid uncoordinated action and confusion at the operating levels, timely decisions based on relevant information should be communicated. Unless the decision is communicated and implemented it is not an action decision and the management control will be lacking.

#### Design Considerations for the New MIS

The management information system would provide the mechanism for the exercise of control. Its purpose is to provide decision makers with timely and accurate data to help them make and implement necessary decisions to achieve

the predetermined goals. The relevance of information has to be determined in relation to the delegation of financial and administrative powers to executives at different levels. It is in this context that emphasis is on reporting performance in comparison to the prescribed standards. Relevant control information should be supplied in brief but adequate form. In order to avoid frequent paper reference from one level to another, it is suggested that the control information be accompanied by a self-sufficient narrative report.

Executives at different levels in the organisation in their effort to achieve the expected level of performance may face some special technical and/or managerial problems, for example, a major breakdown in a plant, bottlenecks in imports or supplies, release of funds by Government/financial institutions, labour trouble etc. A problem should be termed as a "special problem" if it cannot be solved at the level at which it has been identified. Such problems should be reported to the next higher level immediately in the form of a "special action report" and should include suggestions, if any, for their solution. These would be exceptional reports concerning exceptional problems. Decisions about the resolution of such problems should be communicated in the form of "action programmes" with time schedules and assigned responsibilities

clearly specified for different actions. Feedback after implementation of decisions should be given to the concerned level. It is worthwhile emphasizing here that the special action reports should be "exceptional" reports and not become a matter of routine. Non-routine solutions to the non-routine problems is the focus here. Problems in implementing the action programmes should be reported urgently so that alternate solutions are found and decisions implemented without any delay. In order to avoid frequent to and fro paper communication, it may, sometimes, be necessary to depute officers to look into some of the special problems at the place at which they arise. In such cases the officers who are deputed should have adequate delegation of powers to take on-the-spot decisions and implement them.

Quality of data and the accuracy of reporting done by any level in the BSIDC will depend, to a great extent, on the quantity of such data asked for. Thus, to improve the reliability of data and to extract and retrieve meaningful "information" for the management process, the number of reports and the volume of data contained in each report should be carefully analysed for any redundancy, duplication, and inadequate periodicity. Each bit of information should be questioned for the specific purpose that it would serve.

The process of questioning would considerably reduce the total volume of data collected at any level. Besides, new formats would be designed, existing ones revised, and data from several would be merged into one to make it compact and usable.

#### Analysis of Existing Proformas

It is suggested that a small team of three or four highly capable and innovative senior executives from within the BSIDC is constituted to thoroughly analyse each and every proforma used for reporting within the Corporation. While doing so, they should discuss it with the people who get these reports so as to know and establish the relevance of each bit of information. During these discussions it may be observed that suggestions for continuing the existing reporting system and including many more proformas would be forthcoming. Many executives would like to get reports for wishing "to know" as to what is happening in the different functions of the BSIDC. In order that the team of analysts does not fall into this trap a precaution is strongly suggested. In order to rationalize the existing reporting structure, they should critically observe as to what has actually been done to these reports in the past one or two years. The role of these reports in the management process has to be clearly established. The focus should be to design and prescribe a proforma for the

job rather than to find the use to which the existing reports can be put. The analysis is likely to lead to the elimination of a number of existing reports.

### The Suggested MIS

The Management Information System suggested here for the BSIDC is aimed at providing the different levels in the Corporation with a meaningful assessment of performance in different functions of the Corporation. In case of deviation, the system suggests that they may be analysed with reference to cause and responsibility and mention necessary action in each case through the narrative report. In addition, the system incorporates segregation of special problems for solution through time phased programmes. This is highlighted in terms of "Special Action Reports".

Principle of "reporting by exception" has been adopted as the basis in designing the present Management Information System. It demands that routine things be disposed off at the levels at which they arise. However, some data would still be required to be supplied either as background material or for statistical purposes or for formulation of overall policies and resolution of significant issues.

In addition to formal reporting as provided for in the MIS structure, there should be periodic review sessions at

various levels to observe and analyse achievements in comparison to expected levels of performance in relation to different functions within the BSIDC. However, it is strongly suggested that these sessions should not be like routine meetings in an organization. These should be like brainstorming sessions to deal with specific problems and to suggest solutions and take decisions for implementation through time-bound schedules.

It is worthwhile emphasising here that the MIS is not an end in itself, it is only a "means to an end" and it supports and assists the management process within the organization. Moreover, it should not be treated as a one-shot project of the organization; it should be a continuous phenomenon and the system should be reviewed now and then. In any case introduction of a new report or a return or its withdrawal should be a conscious decision arrived on the basis of a critical analysis of the effort required to introduce it and the role that it would play in the management process.

#### System Levels in the BSIDC

The MIS design for the BSIDC incorporates a three-level reporting structure with data originating at the unit level of each enterprise of the Corporation. The unit level is not only the cost centre incurring direct costs but also the

"profit centre" where the revenue is generated. It is this level where the actual job is carried out. The position of the Chief Executive at the Unit level is the focal point for most of the operational decisions and their implementation. This position is also the "link-pin" between the policy directives and the actual operations required to carry them out. He represents the interface between what are referred to as level III and level II in the MIS. The next level in the organisation is the Board of Directors of each unit of which the Chief Executive of the Unit should necessarily be a member. In fact his role should be most active and significant in terms of the decision-making responsibility for which he must be delegated most of the authority. This level is referred to as level II in the MIS design. And then comes the policy level, referred to as the Level I. This level is the Corporate Office of the BSIDC and consists of the members of the Board of Directors (including the Managing Director) who are responsible for taking decisions with long-term implications and formulate the strategy for the Corporation as a whole. The levels are designated as follows:



- LEVEL - III. This is the first level of supervision and is located at the Unit with the Chief Executive of the Unit (General Manager or Executive Director) as its head.
- LEVEL - II. This consists of the Board of Directors of the individual unit and includes the General Manager.
- LEVEL - I. This is the Corporate Office of the BSIDC with its Board of Directors as the policy making body.

#### The MIS Organization

existing  
The planning cell at the unit level is suggested to be reorganized and strengthened to constitute a "Management Services" division with the following functions:

- Management Information
- Production Planning
- Materials Planning
- Maintenance Policy
- Operations Research Applications
- Industrial Engineering

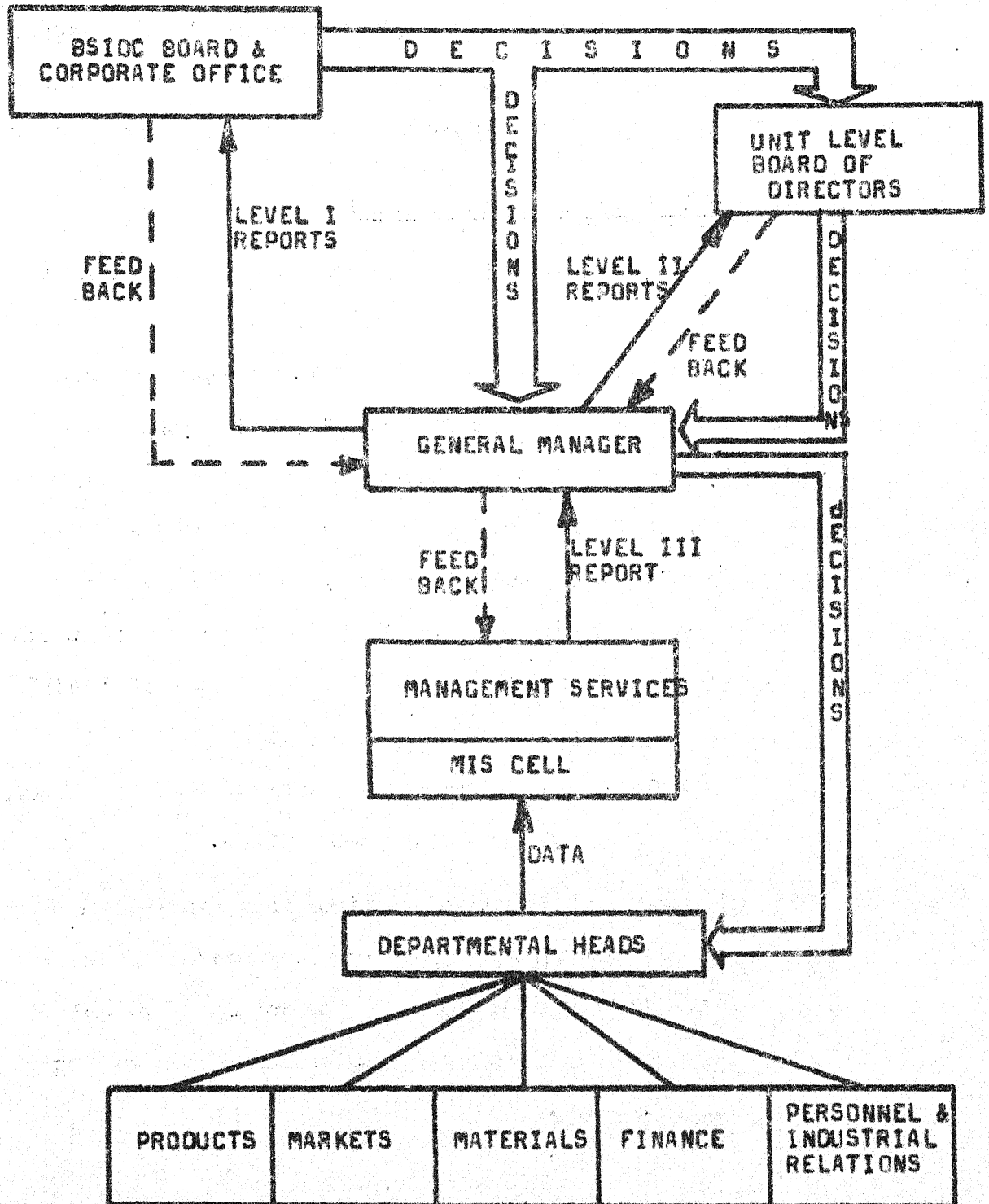
The MIS cell within the Management Services Division should be responsible for supplying all information to different levels within the organization. They should

collect (not prescribe) the relevant data on status, performance, capacity, etc. for each function within the unit. On the basis of the data thus collected, the MIS Cell should generate Level III reports for the General Manager of the Unit. These reports should be prepared after filtering out the problems and decisions that can be handled at the level of the departmental heads. Issues and problems that are beyond the delegated powers of the Heads of Departments should be included for decisions of the General Manager. On the basis of information contained in these reports, the General Manager should take and communicate decisions for implementation to the concerned heads of departments, and give the feedback to the MIS cell. This feedback should include and highlight those issues which are not within the jurisdiction of the G.M. and need to be referred to the Board of Directors and/or the Managing Director of the individual Unit.

After filtering out the decisions taken by the concerned General Manager, the MIS cell should draw level II reports meant for the Unit Managing Director/Board of Directors to be forwarded by the General Manager. Decisions on the basis of these reports should be communicated for implementation to the General Manager of the Unit. Most of the problems pertaining to the Unit should be resolved here. However,

exceptional problems with policy implications and long term commitments and those affecting other units also should be referred to the Corporate Office of the BSIDC in the form of Level I reports. In any case these should not be routine type of reports but exceptional reports in the real sense. In addition, performance of each unit on different aspects should be communicated to the Corporate Office on a quarterly basis for Policy Review and on a monthly basis for Operational Review.

The flow of information is indicated in the diagram on the next page.



### The System

The types of information suggested to be supplied to different levels is described in the form of three level reporting structure explained in the following paragraphs.

#### Level - III (Operational Level)

The Operational Level consists of the functional heads of various departments of a unit and the entire work force responsible to the General Manager. People at this level are concerned with the actual "doing" of the job. This is the level where actual production schedules are drawn, targets achieved, sales affected and services provided. The procurement of resources like materials, manpower, finance, etc. is carried out at this level. These resources result into output in the form of produced goods with the help of equipment and machinery available in the organization and services rendered to the clients. These goods are sold and supplied to the client organizations and money collected.

Whereas the heads of various departments in each unit implement the decisions taken by them and/or by the General Manager or other higher levels, the overall control is exercised by the General Manager on the basis of expected performance levels.

Heads of departments, being responsible for performance within their own functions, should have a complete knowledge of day-to-day operations and activities under their control. However, critical items should draw their special attention and should be controlled by them while authorising an action or granting a sanction. Some examples of such items are:

- overtime
- production hold ups
- rejections
- material bottlenecks
- local purchases
- casual labour
- facilities to employees like canteen
- services, etc.
- salaries and wages
- payments to suppliers and vendors
- deliveries

There should not be any regular proforma for reporting the above items to the concerned heads of the departments or the . If necessary, the head of a department may record his decisions/orders in the form of brief, self-explanatory statement which could be filed after the action is taken.

Review by the Head of the Department (weekly)

At the end of a week's operations, the head of each department should review the performance of his function in relation to the expected performance. This is illustrated through some of the items mentioned below:

(a) Production: The head of this department should be concerned with all aspects of production management but the important ones are described below:

(i) Quantity: He has not only to know the number of units produced but how the production level compares with the target. In case the gap between the two is significant, he has to analyse and identify the causes for the same and take necessary decisions and actions to bridge this gap. In case things are beyond his control, he must flash an immediate message to his superior (General Manager) in the form of an exceptional report for his urgent decisions. The review by the functional head and the consequent decisions by him or his superior may result into some curative and corrective action for the past problems but these decisions must prevent the re-occurrence of any significant gap between production performance and the targets.

(ii) Quality: Whereas the functional head would keep a close watch and carry out sampling inspection on a routine basis for ensuring the quality of his products, it would be necessary for him to review, at the end of the week, as to the numbers rejected in the quality inspection cell of the organization. The objective of this review is two-fold, one, to keep the performance standards of the produced goods within the tolerance limits and two, to keep the rejections at the minimum level. He may have to take the help of other technical experts within his organization for this purpose.

(iii) In-process Inventories: This is one of the important functions to be controlled by the Production Manager. He has to determine the size of inventory at each stage of production and ensure that the norms thus decided are implemented. The obvious guiding principles would be to keep minimum stock while ensuring that "inprocess" materials are available to each and every machine/operator. His decisions would be based on matching the capacities at various stages of production in his plant.



- (iv) Cost-Control: The most important aspect of the job of the Head of the Production Function would be to minimize the cost of production in his Unit. For this purpose the most important decision that he will have to take would be about the size of each batch that different 'shops' would produce and identify the sequence while minimizing idle time and wastage of material.
- (b) Maintenance: Whether the maintenance of equipment and machines is under the control of the Production Manager or is an independent function, its main purpose is to minimize the loss of productive time due to breakdowns of any type. The person-in-charge has to take decisions regarding 'preventive' and 'breakdown' maintenance. Data on breakdown of each machine has to be kept in the form of a history sheets including 'age' of spare parts needing replacement at the time of breakdown, frequency of breakdowns, time between breakdowns, repair time required, loss of production and manhours due to breakdowns, etc.
- (c) Materials: The meaning of weekly review in respect of the materials function in a BSIDC unit should be in respect of the following aspects:

- (i) Shortages: In addition to knowing of a shortage of materials at the time of its occurrence, the Materials Manager has to review the situation of materials supply to reduce the loss of production, if any, due to non-availability of materials when required. This would, not only help him to make materials available but, result in rationalization of procurement plans for materials.
- (ii) Receipt of materials: In order to monitor and keep track of materials due to be received within the current week and the subsequent week, the Materials Manager would need internal data on the 'status' of the orders placed and the delivery dates. This would help him and his staff to plan for inspection and storage of these materials.
- (iii) Updating: Whereas most of the material transactions in terms of issues, receipts, rejects, closing balance, etc. would be posted into the registers (or Kardex) everyday, it is important, at the end of the week, to ensure

that all records are updated and status known by the Materials Manager.

- (d) Marketing: The Marketing or the Sales Manager of a unit is primarily concerned with the achievement of sales targets and control of operating expenses incurred in achieving these targets. Detailing the salesmen, checking their diaries and assessing the level of service provided by them to the users and the sales outlets are the focus of his activities. His weekly review should include the complaints/appreciation of the quality of the products, their availability in the market, implementation of promotional efforts and campaigns, and price regulation. For this purpose, he will have to keep in constant touch with the organization's 'markets' and 'clients'.
- (e) Financial: The most important financial function at the operational level is to keep track of the revenue generated by the unit and the costs incurred by it. The accounting system should not only update the accounting books but also identify the relevant costs for each product and allocate appropriate expenses on the basis of the quantity produced and facilities used. They must identify the direct and the indirect expenses incurred by the unit. The status and management of working capital form the basis

of weekly review by the head of the finance function within the unit.

(f) Personnel, Administration, and Industrial Relations: Human beings working for the organization form its back-bone and must be looked after as its most precious asset. Any dissatisfaction on part of the employees would result into very low levels of productivity for the organization. Therefore all-out and conscious effort would be required to be made for motivating and involving the employees in the management process in the unit. Personnel Manager's weekly review should include basic amenities like medical aid, accident service, canteen facilities, working uniforms, safety devices, etc. In addition, he will have to have a close watch on absentism, punctuality, regularity, and productivity.

There should not be any special reports on the items mentioned above at the operational level. Tangible data, wherever applicable should be recorded in the form or registers which should be reviewed by the concerned heads of the departments as and when desired.

The data in these registers should be analysed by the head of a function (department) to judge the functional performance as compared to the prespecified standards for the

activities under his jurisdiction. He should look into the deviations for proper action so that the targets given in the performance budget are achieved. Focus for his analysis would be the achievement of targets at minimum prespecified costs. In some cases it may become necessary for him to seek revision in the performance standards for his activities.

The weekly review mentioned above is only indicative of the type of monitoring required to be performed by a functional head. Depending on the urgency or delayed time lag of some of the activities, the concerned head may carry out more or less frequent reviews for his function.

#### Level-II (The Tactical Level)

This level, consisting of the Chief Executive (General Manager or Executive Director) of the Unit and its Board of Directors, represents the "link" between the Unit and the BSIDC and works under the general direction of the BSIDC Board. This is the most crucial level in the organization because the overall responsibility for planning, control and coordination in respect of all activities of the unit rests here. Therefore, it is necessary that performance in respect of different functions in the unit is reported, with reference to the standards laid down for each function, to the Chief Executive of the Unit who represents this level on day-to-day basis.

The reports to be submitted to the General Manager should be compiled for different activities by the Management Services Division located in the Unit. The focus of these reports should be on the variances of actual performance in comparison to the norms and standards laid down for different activities. Reasons for these deviations with suggested actions should form the core of these reports.

MIS reports for the General Manager should be divided into two categories: routine and exceptional. These reports would supplement the information otherwise gathered by him through frequent visits and inspection of various work-centres within the Unit. Types of information to be included in these reports is indicated below:

- (i) Production (weekly), including quantity and rejections in comparison to targets.
- (ii) Maintenance (exceptional and immediate): Any breakdown (minor or major) which results into stoppage of work or substantial loss of production should be reported immediately to the G.M. Data on routine breakdowns and preventive maintenance should be kept in the form of history sheets for each equipment.

(iii) Shortage of materials (exceptional and immediate):

If in spite of the best effort of the Materials Manager or Controller of Stores and Purchase, some material is not available and it results into production loss, it should be immediately reported to the General Manager with suggestions for his immediate decisions.

(iv) Surplus Materials (six-monthly): The list and value of all materials which have not been used for more than two or three years (as may be decided by the BSIDC Board) within the unit should be reported to the General Manager for disposal decision. These may be offered to other units or disposed off in the market.

(v) Stock Value of Materials (Six-monthly): Monthly average of the value of materials during the preceding six months should be reported in comparison to the value of production on the same basis. The General Manager on the basis of these figures would fix up the norms for inventory holdings in comparison to production.

(vi) Stock of Finished Goods (monthly): The General Manager should know the stock position (both in

units and in rupee value) of all major finished products in comparison to the sale and delivery of the same.

(vii) Achievement of Sales Targets (monthly and exceptions)

The General Manager must be informed of the volume and value of sales in comparison to the target and reasons for deviations, if any. The reward, incentives and disincentives of the sales force should be linked with the achievement of targets. Serious gaps and lapses should be reported immediately.

(viii) Complaints (quarterly and exceptional): All complaints about the product quality, the behaviour of the distributors, suppliers and the sales force should be compiled and reported to the General Manager on a quarterly basis. In addition, exceptional report on a complaint of serious nature should be sent immediately.

(ix) Cost of Production (quarterly, annual): Whereas the direct cost of production should be monitored on a quarterly basis, the total cost of a product, after allocating the indirect expenses meaningfully, should be reviewed by him on an annual basis. This



would help him to fix and revise the price of the company's products as also to keep a watch on the unproductive costs associated with the products.

In addition to the reports mentioned above, the General Manager may ask for any information in an exceptional form from any of the functional departments as and when he may need. Also, he should be available all the time to the departmental heads for advice and consultation.

On the basis of various kinds of information available with the General Manager, most of the decisions for fixing targets and requirements of resources will be taken at his level. Most of the control within the organization should be exercised by him. In situations where he cannot take the decisions himself, he may refer the matters to the Board of Directors of the Unit or seek advice from the BSIDC Headquarters. However situations of this type would be exceptional rather than routine in nature.

#### Level - I (The Strategic Level)

This level should consist of the Board of Directors of the BSIDC with the Managing Director as a full time employee of the Corporation. Apart from being the Chief Executive of the BSIDC, he would be the link between the individual units and

the Corporation. He and the Board would primarily be concerned with the following policy functions of the BSIDC:

- (a) Corporate Plan for each unit
- (b) Major Investment Decisions
- (c) Product Diversification
- (d) Annual Production Targets
- (e) Budget Sanctions
- (f) Pricing Policy
- (g) Major negotiations with Unions, Government etc.
- (h) Foreign Collaboration and Imports

With reference to the MIS, this level would need information for taking the policy decisions as also to be apprised of the "health" of each unit.

In order that the BSIDC and its units "grow" meaningfully, it is necessary that specific decisions on policy matters and long-range planning are taken by the top level through participative consultations with operating levels, i.e., the individual units. Apart from generating mutual confidence, this process will result in each level knowing the overall objectives of the Corporation and indicate the contribution expected to be made by each unit.

The highest level should get clear and concise information regarding the following:

- Net operating results of each unit
- Matters required to be approved or decided by the M.D. or BSIDC Board
- Problems requiring the advice/decision of the specialists in the BSIDC.
- Board meetings (agenda items).

For the purpose of control by the Corporate Office of the BSIDC, the following two reports are suggested to be submitted by each unit.

1. Monthly Operational Review: This report should highlight in a summary form the overall operations in each unit and the financial position of the BSIDC as a whole. It should include the following items:
  - (i) Production (units and value) in comparison to targets. Matters requiring decision/actions of the Corporate Office should be preidentified with specific suggestions.
  - (ii) Commercial performance on sales (units and value) in comparison with targets
  - (iii) Financial Position.

- (iv) Any serious complaints and bottlenecks (other matters of immediate consequences requiring the intervention of the Corporate Office should be communicated in the form of exceptional report as and when the need arises).
2. Quarterly Policy Review Report: Some of the points that should be highlighted in these reports are indicated below:
- (i) Production Capacity and its Utilization
  - (ii) Investments and Capital Expenditure
  - (iii) Industrial Relations (descriptive)
  - (iv) Financial Contribution (Projected profit and loss)
  - (v) Cost of Production
  - (vi) Demand forecasts, etc.

Management Services Division in the BSIDC

A planning cell to provide the staff services to the BSIDC exists in the Head Office. However, its functions are not clearly defined. It is believed that this centralised staff group in the corporate office can effectively provide the guidance and assistance in obtaining a meaningful approach to planning in the BSIDC. This can be achieved by:

- (i) defining its functions properly and
- (ii) strengthening it by including staff specialists at fairly high levels.

The functions of this division should include:

- (a) Corporate Planning
- (b) Performance Budgeting
- (c) Operations Research and Industrial Engineering
- (d) Materials Planning
- (e) Information Processing
- (f) Engineering and Technical Services
- (g) Formulation and Appraisal of Investment Projects
- (h) Marketing Research

The above specialist functions should help the corporation take the major policy decisions in respect of the following:

- (a) Products to be produced and diversification
- (b) Product Mix of various products
- (c) Ancilliary Development
- (d) Choice of technology, equipment and infrastructure
- (e) Investments to be made
- (f) Manpower recruitment
- (g) Staffing norms
- (h) Incentive schemes, etc.

A fundamental objective of this division is to achieve an integration in planning so that realistic targets are set on the basis of resources available with an eye on cost effectiveness for the BSIDC as a whole.

### Conclusion

In order to achieve any significant benefit from the proposed MIS, it is important that the system is implemented in the right spirit and conscious efforts are made by the BSIDC to introduce the necessary changes. Some of the important requirements for successful implementation of the system are indicated below:

- (i) The conventional budget should be changed to Performance Budget.
- (ii) Norms and standards should be fixed.
- (iii) Financial and administrative powers should be delegated and exercised.
- (iv) The Management Services Cells at the Corporate Office and in the units should be properly organised. However to begin with, activities like Industrial Engineering, Production Scheduling, Market Research, etc. should be promptly undertaken.
- (v) Reports and returns should be rationalised with reference to the types of information suggested in the MIS.
- (vi) Principle of "Management by Exception" should form the basis of the management process in the BSIDC.



### Summary of Suggestions and Recommendations

The Bihar State Industrial Development Corporation is, essentially, a group of geographically-scattered industrial units, engaged in the manufacture of disparate products, ranging from fertilizers to spun-silk yarn. Each of these Units is totally different from the other in several respects, say, in terms of size, nature of the output, the raw-materials, manufacturing, purchasing, engineering problems, let alone the ever-changing pressures of market forces. Besides, as the Corporation grows further and expands over time, it will become far more difficult for top management to get and give all the (1) time, (2) energy, and (3) knowledge to take all decisions - policy as well as operational. Not only the costs of communicating details and decisions, to and fro, would mount, but also the ensuing delays would make matters worse. Because of this great variety of diversity, distances and circumstances, - both at present and in future - there are therefore, compelling reasons for "decentralisation", i.e., authority to take decision must be delegated to near the "scene of action".



2. This "decentralisation" must take place at least at three levels: One, from the State Government, to the Board; Two from the Board to the Chairman-cum-Managing Director, and Three, from the Chairman-cum-Managing Director to the General Managers of the various Units.
3. For this purpose, all kinds of decision affecting the day-to-day running of a Unit would be divided into two broad categories: (1) Strategic Decisions, and (2) Operational Decisions, the former to be made at the Headquarters in consultation with a General Manager, and the latter by the General Manager without reference to the Headquarters.
4. Each Unit would serve as a "Profit Centre". The General Manager would enjoy considerable autonomy within the scope and parameters of the powers implied in the "Operational decisions" and would be held accountable for the success or failure of the Unit. If he succeeds, he is immediately rewarded; if he fails, he loses his reputation (if not the job).
5. "Decentralisation" need not be uniform in respect of all the Units. The Headquarters would have to strike a careful balance between the needs of centralisation and decentralisation in view of factors, such as, size and

scale of investment in the Unit, the knowledge/experience/ and initiative of the General Managers, etc.

6. Delegation of powers can even prove useful within Units provided there are enterprising men at the middle and first-line of command.
7. There is need to appoint, on a permanent basis, personnel managers in all those Units which have had a tradition of management-workers problems (for example, Bhagalpur can be exempted as it is not a unionized area at present). These positions must be held only by bright, highly motivated and professionally-trained men and their major responsibility would be to constantly monitor the labour problems early enough and report them to the General Manager for quick action.
8. All such positions in the Units which the past experience has shown to be redundant should be abolished.
9. The Corporation is almost bogged down by the typical "governmental culture" because of the long-standing tradition to appoint 'deputationists' to key positions all over. If the Corporation is to acquire its true character of being a "trading body" for which both the "economic" and "social" effectiveness" are equally

important goals,, it must be prepared to undergo a little surgery whereby all alien bureaucratic culture (including governmental rules/regulations, procedures) is chopped off.

10. The term of the office of the Chairman-cum-Managing Director should be increased from 3 to 5 years. However, if there is any legal problem in doing so, a new position titled "Deputy Managing Director" may be created.
11. Planning and development functions at the Headquarters may be centralized and the new Section be named as "Scanning, Planning and Development". The Head of this Section must be one/who has experience in as many engineering fields as possible.
12. If 'personnel' section at the Headquarters is to play its fuller role, then it must be accorded a much broader role, a higher organizational status and be headed by a truly qualified person. The name of the Section be changed to: "Human Resource Development Division".
13. There is an urgent need to increase the sensitivity of the key members of management in all the BSIDC plants to the new developments in industrial management the world over.

14. A 'participating worker' is said to be an 'involved worker'. The Units should therefore try to increase the participation of labour in management at the 'individual' as well as the 'group' level.
15. "Employee mass meetings", held at regular intervals, can be of great help in building bridges between the management and labour and demolishing any misunderstandings between the two.
16. The Corporation must work out a written statement of its 'Labour Policy' and distribute its copies amongst all plant managements and the union representatives. The Policy would clearly list out, inter alia, (1) rights and responsibilities of management, and (2) rights and responsibilities of union/workers.
17. The time to stop a labour problem is to act before it starts. Hence, all grievances of workers must be attended to immediately.
18. In a poor country like India most workers, whether in the fields or factories, are standing at the lowest rung of their need-hierarchies, namely, fulfilment of their economic needs. Therefore, an important thing to remember is that they are very easily satisfied - with only small monetary concessions, given gracefully not grudgingly.

19. As far as possible, the plant managements should try to enter long-term agreements with the Unions.
20. The scope of compensation for health/care (medical expenses) should be the same for all, irrespective of the status of the employee. In a socialist, democratic society such distinctions should be considerably reduced, if not totally abolished.
21. Wealthy Units (such as High Tension, Ranchi, and Spun Silk, Bhagalpur) should not hesitate to be a bit liberal in granting additional concessions/facilities to the workers.
22. Special welfare plans should be inaugurated during the days of prosperity of a particular plant and then publicized extensively amongst the workers of those Units which are still going through hard times.
23. Ten per cent of the total pre-tax profits turned out by a Unit should be made available to the management of the Unit for investment into housing for workers and other staff members.
24. Management should make it a point to hold fortnightly or monthly meetings to consult the foremen in all such matters where their advice is necessary. They should

not however be used as 'spies' but as members of the "plant family" genuinely interested in the welfare of the workers as well as in the common purpose of the factory.

25. The present collective incentive scheme does not recognize the contributions made by high-producing individual workers, the skilled or the unskilled, or a shop team. Managements are advised to design a supplementary scheme that would provide additional benefits to the truly motivated individuals/teams.
26. The structure of incentives in all plants should also include non-financial rewards in the form of "formalized praise" Model workers and model-teams would be selected and in addition to the material rewards, they could also be publicly praised and held up for emulation by others. Pictures of such workers or team-members can be displayed at appropriate places in the factory buildings.
27. Awards (say wrist watches or saris) can also be instituted for the spouses of outstanding individual workers to gain the sympathy of the "worker - behind - the worker" for the Unit/Corporation.
28. Special prizes for economy in the use of raw-materials, etc. may also be tried.

29. **Units** like High Tension might like to provide music to workers during lunch and rest periods in the dining hall. They have the right setting and the money, too.
30. "Employees Suggestion Schemes" which failed to enthuse the workers in the past can succeed only when carefully executed.
31. In ultimate analysis, no one grand incentive strategy for one single plant - much less for all the plants - would work all the time. The important thing to do is to monitor the "need-hierarchies" of the workers periodically and modify the incentive schemes accordingly.
32. When a General Manager produces profit 'fast', the reward to him should also come equally 'fast'. If that does not happen, the 'hen' that lays 'golden eggs' can sometimes get 'killed'.
33. Comparable and attractive pay-scales for workers, foremen and other members of the staff would not only reduce the existing widespread discontentment but would go a long way in winning over their interest and loyalty on a permanent basis.
34. The Corporation should, as far as possible, follow a policy of promotion from ranks.

35. Surplus staff - whether in the shops or in the administrative block - should be trimmed. In future if a certain activity requires the energies of five persons, only four should be employed.
36. The low-sounding official-title can sometimes be the cause of job-dissatisfaction. For instance, the morale and motivation of the BSIDC "junior engineers" is sure to move up if they are designated as "assistant engineers". It would cost the Corporation nothing.
37. "Discipline" should be a collective responsibility to be shared by the management and the Unions.
38. Performance of all employees should be measured by "results" to be achieved according to pre-determined targets.
39. Four types of training programmes would best suit the needs of the Corporation. The training programmes must have the full support of the top management.
40. The personnel officers in all the plants have very important roles to play. The best service they can render to their managements is by carrying out, every six months or so, morale/surveys of the workers and others and thereby provide the necessary feedback for suitable changes in policies and practices directed at the workers



41. A proper planning and appraisal of the ventures undertaken by the Corporation is essential so that the implementation of the various projects and later on operating these as running enterprises may yield the desired results.
42. The projects which the Corporation undertakes for implementation have to be an integral part of the State plan for industrialisation, and must relate to the scheme of priorities as decided through the planning process. Within this framework, the Corporation should be the fit agency for indentifying projects for implementation to achieve its objectives. This requires the necessary capabilities to be developed in the Planning and Development Wing of the Corporation for the task of identification of projects within the Plan framework for industrialisation of the State of Bihar. A person at senior level and possessing good background of economic planning needs to be included among the staff of the Planning and Development Wing for the purpose of undertaking the task of identifying projects suitable to be undertaken by the Corporation.
43. Equally important task of the Planning and Development Wing should be to undertake a proper appraisal of each project identified for evaluation. Our suggestion is that the necessary capability should be developed within the Planning and Development Wing of the Corporation for

carrying out project-appraisal exercises culminating into feasibility studies. The inclusion of an Economist, expert in project planning, in the Planning and Development Wing alongwith other technical experts should enable development of capabilities for the necessary data collection and its analysis for undertaking project appraisal exercises.

44. Both, financial and economic appraisal on scientific lines need to be done for each of the projects of the Corporation so that later on when these become running enterprises, their results could be evaluated against a properly pre-determined guiding frame. It is, therefore, imperative that the necessary capability for appraisal of projects is developed within the Corporation, and later on when these projects become running units the same capability of the Corporation is utilised for monitoring and evaluating the results of these ventures against those projected in the feasibility studies. An intimate relationship and proper co-ordination between the Planning and Development Wing and the Finance Wing of the Corporation would be necessary both for the purposes of appraisal of projects and for monitoring their performance. These specialized and so-phisticated

jobs would need to be performed by well qualified and talented experts both in the Planning and Development Wing and in the Finance Wing. The Corporation should, therefore, make efforts to attract and retain suitably qualified and experienced personnel in these two wings. The present salary scales offered by the Corporation to such like experts are not adequate and need to be revised upwards.

45. It is suggested that the Corporation should include in its Planning and Development Wing expertise for carrying out marketing studies for making the necessary demand projections to ensure that a project being appraised would be commercially viable. A sound marketing expertise available in the headquarters organization can be of great help in conducting useful studies to provide the necessary basis for the Corporation's future expansion programme and to determine production priorities.
46. There is also need to equip each Unit of the Corporation with an expert marketing cell. This cell should maintain an intimate touch with the market conditions and keep studying if any product modification or diversification becomes necessary. It should function directly under the charge of the General Manager of the Unit, and assist him in promoting sales of the products of the factory.

47. It is imperative for the Corporation to ensure that its various Units are operating with the necessary efficiency and economy. This can be achieved if the Units function on a properly framed scheme of performance budgeting. In order to operationalise the scheme of performance budgeting, it is necessary that the concept is also built into the structure of accounts to facilitate monitoring of expenditure incurred on specific activities.
48. A significant importance should be attached by the Units to a proper framing of norms and standards applicable to different manufacturing, production, and task performance situations.
49. The operation of a scheme of performance budgeting in a Unit would require a clear delineation of functions and responsibilities for the accomplishment of specific tasks by the responsibility centres created for the purpose. In such a scheme, the various stages of a manufacturing process or the units of production should be subjected to proper costing. A proper costing of the manufacture of a product is necessary whether it is done in terms of process costing or job costing or batch costing.

50. It is suggested that each enterprise under the Corporation should standardize its cost of production as related to different performance units. The performance of the operating units should be evaluated against the pre-determined standard costs. Collection of costs for each stage of production or for each job would facilitate creation of a system of responsibility accounting to correspond to clearly delineated responsibility centres.
51. The norms used for preparing budget estimates, to be realistic and workable should be developed as a joint exercise between the workers, the management of the Unit, and representatives of the headquarters. Once these norms become acceptable to the three parties mentioned, each of them would agree to the quantum of production or the amount of work to be turned out within a specified period and at properly worked out cost.
52. It is suggested that the headquarters of the Corporation should scrutinize the budgets of the Units according to the requirements of performance budgeting in terms of scientifically worked out and accepted norms and standards before these budgets are placed before the Board for approval. After these budgets are sanctioned and as they are operated upon by the concerned enterprises, the

Corporation's headquarters should keep monitoring information regarding performance of these enterprises as compared with their budget plans. A successful operation of a scheme of performance budgeting would, however, require each enterprise to be properly equipped with expert accounts staff capable of doing cost accounting functions.

53. For conducting variance analysis to evaluate the performance of different responsibility centres, accounting and finance wings in the headquarters and in the Units should be equipped with management accounting cells staffed by qualified and trained personnel. An important task of a management accounting cell would be to compare actual performance of various activities with their respective budget plans, and to analyze and interpret the variance between these two.
54. An important function of the management accounting cell in the headquarters should be to conduct audit, periodically, of the various Units of the Corporation. Apart from carrying out financial audit, such an internal audit agency should keep reviewing the operation of the scheme of performance budgeting in the Units.
55. It is necessary that the management accounting cell in the headquarters should be staffed with qualified and

trained personnel well-versed in the techniques of audit and performance evaluation. The Corporation should also arrange for occasional exposure of management accounting personnel to the modern techniques of management by sponsoring them for refresher training courses.

56. A Financial Adviser of a sufficiently senior level should be in-charge of the financial function in the Corporation. He should be also head of the accounting organization including its management accounting cell. The organizational set-up of the Financial Adviser's department would need to be in accord with the various functions required to be discharged by it.
57. The Financial Adviser's department should be adequately staffed with other finance and accounts experts required for carrying out the various jobs. These personnel would need to be paid good scales of pay to attract and retain qualified and experienced persons in this department. The present scales of pay in the Corporation offered to such like experts are too low and need to be upgraded.
58. It is suggested that the limit for purchasing an item by the General Manager of a Unit on one quotation basis should be raised to Rs.1500/- per item. It has been observed that

requirement of three or more quotations in respect of purchases of items not substantial in value, does not serve any useful purpose of financial control. In fact, such a system results in some unhealthy practices being followed by the suppliers of such items in the sense that the same supplier would furnish three quotations under three different names of firms. A better approach in such a situation would be that a committee comprising of three officers should be empowered to make final selection of an item of purchase even without obtaining three quotations for the purpose. One of the members of the committee should be the officer concerned who needs the item proposed for purchase. The other two members may be from other senior officers of the enterprise, such as, the General Manager, Chief of Accounts, Purchase Officer, etc.

59. The purchases of items costing more than Rs.1500/- each may, however, continue to be transacted, as at present, through a purchase committee specifically constituted for the purpose. The limit of Rs.50,000/- beyond which a reference becomes necessary to be made to the Corporation's headquarters if the lowest quotation is not accepted by the purchase committee may, however, be revised upwards. Also, for capital items, the monetary limits need to be raised in respect of items for which the purchase can be effected through the purchase committee and also in other cases where approval of the Corporation's headquarters is necessary.



60. It would, however, help to standardize as many items of purchase as possible, and to enter into rate contract with reputed firms so that after the need for purchasing an item is established, the various procedures for procuring it can be cut short. Powers for making these purchases can even be delegated to individual officers.
61. To ensure proper control and accountability at various levels of management, a system of reporting and returns should be built into the scheme of delegations.
62. The purpose of control in the BSIDC is to bridge the gap between actual performance and expected performance. Therefore, all information on performance should be reported with reference to expected level of performance at each level.
63. Self-sufficiency narrative reports should form a part of the regular reports designed to be submitted to different levels in the BSIDC.
64. Special problems should be highlighted in the form of "Special Action Reports", which should be exceptional in nature.

65. Solutions to special problems in the form of "Action Programmes" with time schedules and clearly defined responsibilities should be communicated in the form of feedback.
66. Officers to be deputed to resolve the special problems should have adequate financial and administrative delegation to take on-the-spot decisions.
67. Purpose served by existing reports should be clearly established on the basis of what has actually been done on the basis of these reports and not by imagining the purpose that these reports may serve in future.
68. Need for introduction or withdrawal of a report should be established on the basis of the role played/expected to be played by it in the management process.
69. All routine things should be disposed off at the unit level and the Chief Executive (General Manager) of the Unit should be delegated most of the financial and administrative powers for all operational and routine decisions.
70. Review of performance at the Unit level is suggested to be carried out on the basis of the analysis of performance in comparison to the expected levels of performance; problems faced should be clearly spelt out

and solutions specified through unambiguous decisions on a time-bound programme.

71. Operational review by the BSIDC corporate office should be carried out on major items on the basis of Level I Reports received by them.
72. Policy review on a quarterly basis by the Head Office should result into tangible operational plans and targets for achievements by each unit.
73. Routine matters should neither be asked nor reported to the Corporate Office.
74. The existing planning cell in the head office should be reorganised into a strong management services division.
75. The Planning Cell in the Unit should also be re-organised with a conscious and strong bias in favour of Industrial Engineering Activity.
76. The Management Services Division at the head office and the Units should be manned by the most capable and innovative people within the organisation. If necessary, some highly qualified persons with relevant experience may be appointed by the organisation.

77. Heads of departments and the General Manager of each Unit should be delegated all financial and administrative powers to take day-to-day decisions.
78. The head of a department should have a complete knowledge of the working of his department not through the MIS but through his physical presence there.
79. Weekly review by the Head of Department should form the basis for analysis of all performance within a function.
80. There should be no reports for heads of departments. Achievements records should be kept in the form of registers with targets mentioned therein.
81. Reports (Regular and Exceptional) to the General Manager should have a focus on comparison of actual performance with targets.

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